Half-year report

16 Aug 2023

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2023 Interim Results Highlights

Admiral Group reports growth in customers and turnover, with strong profit despite continued challenging market conditions

	Six months ended: 30 June 2023	**30 June 2022**	***% change vs. 2022***
Group profit before tax [1]	£233.9m	£224.6m	*+4%*
Earnings per share [1]	57.6p	60.8p	*-5%*
Interim dividend per share	51.0p	60.0p	*-15%*
Special dividend per share from sale of Penguin Portals comparison businesses	—	45.0p	—
Return on equity [1 2]	39%	36%	*+3pts*
Group turnover[2]	£2.24bn	£1.85bn	*+21%*
Insurance revenue	£1.61bn	£1.41bn	*+14%*
Group customers[2,3]	9.41m	9.05m	*+4%*
UK Insurance customers[2]	7.01m	6.94m	*+1%*
International Insurance customers[2]	2.21m	1.98m	*+12%*
Admiral Money gross loans balances	£1.03bn	£0.79bn	*+31%*
Solvency ratio (post-dividend) [2]	182%	185%	*-3pts*

1 2022 Group profit before tax, Earnings per share, and Return on equity restated following the implementation of IFRS 17. Further information follows later in the report.
2 Alternative Performance Measures – refer to the end of the report for definition and explanation.
3 2022 Customer numbers restated – refer to the end of the report for definition and explanation.

Around 10,000 employees each receive free share awards worth up to £1,800 under the employee share scheme based on the interim 2023 results.

Comment from Milena Mondini de Focatiis, Group Chief Executive Officer

“The Group has once again delivered a solid performance and strong growth in the context of a challenging market, although we believe that the cycle is turning. In the first half of the year, profit was £234 million, turnover was up 21 per cent to £2.2 billion and our Group customer base grew 4 per cent.

“Inflation persists, but we have navigated the cycle well, maintaining pricing discipline and a focus on medium-term profitability. We recognise that these are challenging times for many people and we are committed to being there for them when they need us the most, delivering good service and competitively priced products while also actively managing our costs.

“Our UK Motor business delivered a profit of £298 million in the first half of 2023. As we increased prices well ahead of the market last year, our active vehicle base reduced over the period, but we are on a strong footing to leverage improving market conditions.

“We continue to enhance our capabilities, particularly in data and technology, and we are innovating to further develop our core competences and enrich our customer proposition.

“We are making good progress on our diversification strategy, with our non-UK Motor products delivering 19 per cent customer growth, and our UK Household business and European Motor business delivering profits of £8.7 million and £4.7 million, respectively. It was also another positive and profitable period for Admiral Money, with the business taking a cautious approach whilst growing loans balances by 31 per cent.

“I am pleased to say that we remain strongly capitalised and, thanks to the hard work of my colleagues across all of our markets, we now serve even more customers, and are very well-positioned for a more encouraging outlook.”

Dividend

The Board has declared an interim dividend of 51.0 pence per share (2022 interim: 60.0 pence per share, plus 45.0 pence per share special dividend from the sale of Penguin Portals) representing a normal dividend (65% of post-tax profits) of 38.0 pence per share and a special dividend of 13.0 pence per share. The interim dividend will be paid on 6 October 2023. The ex-dividend date is 7 September 2023 and the record date is 8 September 2023.

Management presentation

Analysts and investors will be able to access the Admiral Group management presentation which commences at 10.30 BST on Wednesday 16 August 2023 by registering at the following link to attend the presentation in person, or access the presentation live via webcast or conference call: 2023 Interim Results | Admiral Group Plc. A copy of the presentation slides will be available at the following link: Results, reports and presentations | Admiral Group Plc (www.admiralgroup.co.uk).

H1 2023 Group overview

£m	30 June 2023	30 June 2022	*% change vs. 2022*
Group turnover (£bn) *1*2	2.24	1.85	*+21%*
Net insurance and investment result	181.4	165.2	*+10%*
Net interest income from financial services	31.7	20.6	*+54%*
Other income and expenses	27.1	44.7	*-39%*
Operating profit*1*2	**240.2**	**230.5**	*+4%*
Group profit before tax*1*2	**233.9**	**224.6**	*+4%*
Analysis of profit*1:			
UK Insurance	303.9	290.5	*+5%*
International Insurance	(7.6)	(16.9)	*+55%*

International Insurance – European Motor	4.7	(1.6)	*nm*
International Insurance – US Motor	(10.4)	(13.6)	*nm*
International Insurance – Other	(1.9)	(1.7)	*nm*
Admiral Money	2.7	0.2	*nm*
Other	(65.1)	(49.2)	*-32%*
Group profit before tax*1	**233.9**	**224.6**	*+4%*
Key metrics			
Reported Group loss ratio*1*2 *3	63.5%	61.1%	*+2pts*
Reported Group expense ratio*1*2 *3	26.3%	26.0%	—
Reported Group combined ratio*1 *3	89.8%	87.1%	*+3pts*
Insurance service margin*2 *3	10.7%	12.1%	*-1pts*
Customer numbers (million)*1	9.41	9.05	*+4%*
Earnings per share *1	57.6p	60.8p	*-5%*
Interim dividend per share	51.0p	60.0p	*-15%*
Special dividend from sale of Penguin Portals	—	45.0p	—
Return on equity*1*3	39%	36%	*+3pts*
Solvency ratio*2	182%	185%	*-3pts*

**1 Operating profit, profit before tax (including analysis by segment), Earnings per share, return on equity, and reported group loss, expense ratio and combined ratios restated following the implementation of IFRS 17. See later in the report for further details*
**2 Alternative Performance Measures – refer to the end of the report for definition and explanation*
**3 Reported Group loss and expense ratios are calculated on a basis inclusive of all insurance revenue – this includes insurance premium revenue plus revenue from underwritten ancillaries, an allocation of instalment and administration fees/related commissions, net of excess of loss reinsurance. See glossary for an explanation of the ratios and note 13b for a reconciliation of reported loss and expense ratios, and insurance service margin, to the financial statements*
nm – not meaningful

Group Highlights

Admiral reports another solid set of results for the first half of 2023 against a backdrop of continuing elevated levels of claims inflation. Highlights are as follows:

·9.4 million Group customers at 30 June 2023, up 4% despite challenging market conditions and a focus across the Group on prioritising margin over growth

·Group turnover over 20% higher as rate increases across the Group to address claims inflation led to significant increases in average premium

·Group pre-tax profits of £234 million, 4% higher compared to the first half of 2022, restated on an IFRS 17 basis

·The UK Insurance business generated strong year-on-year growth in turnover (+21%) due to significant rate increases in UK Motor in response to elevated claims inflation. Admiral continued to increase rates in the first half and market rates started to increase more strongly, with the gap between Admiral and the wider market appearing to narrow. UK Motor customer numbers reduced by 3% in the first half of the year

·UK Insurance profit was £304 million, 5% higher than 2022 (£291 million) positively impacted by higher investment income and higher reserve releases, offset in part by higher claims incurred as the less profitable 2022 underwriting year impacted the result

·Positive performance from UK Household, with pre-tax profit of £9 million and customers up 14% to 1.7 million. Turnover was up strongly due to price increases in response to inflation

·An improved International Insurance result (loss of £8 million v loss of £17 million in H1 2022), impacted by reduced losses in US Motor Insurance and a return to profit in European Motor insurance

·Another encouraging period for Admiral Money, with a 31% increase in loans balances compared to 30 June 2022, reported profit of £2.7 million (H1 2022: £0.2 million) and strong credit loss provisions maintained

Earnings per share

Earnings per share for the first half is 57.6 pence (H1 2022: 60.8 pence), lower despite the growth in pre-tax profit, as a result of a higher effective tax rate in the first half of 2023 compared to the first half of 2022. The increase in the UK corporation tax rate to 25% (from 19%) from 1 April 2023 is a significant driver of the higher effective rate.

Return on equity

The Group's return on equity was 39% in the first half of 2023, 3 points higher than the 36% reported in H1 2022. Average equity for H1 2023 is lower than H1 2022 as a result of the transition to IFRS 17 and higher dividends were paid out compared to profits recognised on an IFRS 17 basis. 2022 full year post-tax profits on an IFRS 17 basis were £86 million lower than those reported under the previous standard, IFRS 4. Further information on the restatement of 2022 financials follows later in the report.

Dividends and solvency

The Group's dividend policy is to pay 65% of post-tax profits as a normal dividend and to pay a further special dividend comprising earnings not required to be held in the Group for solvency or buffers.

The Board has declared an interim dividend of 51.0 pence per share (approximately £152 million) split as follows:

- 38.0 pence per share normal dividend
- A special dividend of 13.0 pence per share

The 2023 interim dividend reflects a pay-out ratio of 89% of earnings per share. 51.0 pence per share is 15% lower than the interim 2022 dividend (60.0 pence per share). Although the interim 2022 dividend reflected a broadly consistent 90% pay-out of earnings on an IFRS 4 basis, restating 2022 earnings to an IFRS 17 basis results in a higher equivalent pay-out ratio for H1 2022 of 99%.

The total 2022 interim dividend also included the additional special dividend of 45.0 pence per share, reflecting the final payment of the phased return to shareholders of the proceeds from the sale of the Penguin Portals comparison businesses which completed in 2021. The total 2022 interim dividend was 105.0 pence per share.

The 2023 interim dividend payment date is 6 October 2023, ex-dividend date 7 September 2023 and record date 8 September 2023.

The Group reports a strong post-dividend solvency ratio of 182%. The ratio has increased by 2 percentage points compared to the end of 2022. The increase of approximately 7 percentage points resulting from the replacement of the £200 million 2024 maturity tier two bond with the newly issued £250 million 2033 tier two bond, is partially offset by an underlying reduction of 5 percentage points, primarily due to an increase in the Group's solvency capital requirement of approximately £30 million. Growth in premium across the Group's insurance businesses and growth in the Group's loans book contribute to the increase in solvency capital requirement.

Re-statement of prior period comparatives following IFRS 17 adoption

IFRS 17, the new insurance contracts accounting standard has been effective from 1 January 2023. As a result, the opening balance sheet as at 1 January 2022 and 2022 comparative income statements at both 30 June 2022 and 31 December 2022 have been restated under IFRS 17, using a fully retrospective approach (i.e. as though IFRS 17 had always been in place).

The new accounting policies and choices adopted in the implementation of IFRS 17 are disclosed in the notes to these financial statements. Both the policies and transition impact are consistent with the key accounting policy decisions and transition impact set out on page 234 of the 2022 Annual Report.

Throughout this report, the Group's results under IFRS 17 at 30 June 2023 are compared to the 30 June 2022 comparatives which have been restated under IFRS 17.

At both H1 2022 and FY 2022, IFRS 17 reported profits are lower than IFRS 4 reported profits. The difference primarily arises as a result of differences in the movements in reserve strength or risk adjustment position over 2022 under each standard. Under IFRS 4, Admiral moved down to the 95th percentile over the course of 2022, with a greater proportion of this move taking place in H2 2022. Under IFRS 17, Admiral moved down to the 95th percentile at the transition date of 1 January 2022, and remained at that percentile during 2022. This results in lower reserve releases under IFRS 17 in 2022, and therefore lower profit. The difference in profit is much more pronounced in H2 as the reserve strength movement in H2 2022 under IFRS4 was more significant.

Note 2 to the financial statements provides further information regarding the key factors driving the differences between the IFRS 4 and IFRS 17 reported results in 2022.

IFRS 17 impacts in 2023

As noted, all 2023 numbers are reported under IFRS17 and compared to the restated IFRS 17 results in 2022.

Some elements to note regarding the impacts of IFRS 17 on the half year 2023 results:

- The change in accounting standard does not lead to significant differences in profit in H1 2023, assuming a similar risk adjustment movement in the period
- A small positive net discounting benefit (current year claims discount minus unwind of previous years' claims) is offset by small decrease in quota share recoveries
- Reserves are still very prudent, around the 94th percentile for UK Motor, having reduced slightly from 2022

The Group's results are presented in the following sections:

- UK Insurance – including UK Motor (Car and Van), Household, Travel and Pet
- International Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), and Elephant (US)
- Admiral Money
- Other Group Items – including compare.com (US comparison) and Admiral Pioneer

Economic background

Continuing elevated inflation was a key feature of the first half of the year, including in the Group's main UK market. Together with supply chain pressures and labour shortages, this has resulted in continued and high claims inflation in 2023 across most markets in which Admiral operates.

The main drivers of this claims inflation continue to be higher repair costs, longer repair timescales and higher expected levels of wage inflation which impacts the projected costs of bodily injury claims. Used car prices continue to be one of the largest contributors to damage inflation, although they have stabilised at the elevated levels of the last 18 months.

Admiral continues to focus on medium term profitability, and has maintained a disciplined approach to business volumes, increasing prices to reflect the elevated claims inflation. The Group customer base has continued to grow, although this disciplined approach has resulted in slower growth in some businesses, and reduced customers in the UK Motor business (though there are clear signs the gap between Admiral's price increases and those implemented by the market is narrowing). The Group continues to set claims reserves cautiously.

Admiral Money has continued to grow its consumer loans book, with a prudent approach to growth and evolving underwriting criteria to reflect the macroeconomic environment and potential financial impact on consumers. The business continues to hold appropriately cautious provisions for credit losses.

UK Insurance

£m	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Turnover*1*2	1,708.3	1,409.9	2,784.3
Total premiums written*1*3	1,581.9	1,298.1	2,555.0
Insurance revenue	1,178.9	1,042.9	2,174.1
Underwriting result including net investment income*1	**217.5**	**200.8**	**301.6**
Co-insurer profit commission and net other revenue	86.4	89.7	208.1
UK Insurance profit before tax*1	**303.9**	**290.5**	**509.7**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Alternative Performance Measures – refer to note 13 for explanation and reconciliation to statutory income statement measures*
**3 Total premiums restated for prior periods to include premiums for all underwritten ancillary products. There is a corresponding reduction in Other net income, and no impact on turnover*

Split of UK Insurance profit before tax £m	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Motor	298.2	290.9	524.9
Household	8.7	4.3	(10.7)
Travel and Pet	(3.0)	(4.7)	(4.5)
UK Insurance profit before tax	**303.9**	**290.5**	**509.7**

Key performance indicators

	30 June 2023	**30 June 2022**	**31 Dec 2022**
Vehicles insured at period end	4.76m	5.14m	4.94m
Households insured at period end	1.67m	1.46m	1.58m
Travel and Pet policies at period end	0.58m	0.34m	0.44m
Total UK Insurance customers	**7.01m**	**6.94m**	**6.96m**

Highlights for the UK Insurance business include:

- **In UK Motor Insurance:**
    - A decrease in customer numbers of 7% to 4.76 million compared to a year earlier (30 June 2022: 5.14 million). Admiral's price increases to account for claims inflation since Q2 2022 have been more significant than the wider market, though this gap notably narrowed over the first half of 2023. Turnover increased by 20% to £1.5bn from £1.3bn
    - Profit growth of 3% to £298 million (v £291 million) as a result of higher investment income and higher reserve releases compared to 2022

- **In UK Household Insurance:**
  - Customer numbers grew by of 14% to 1.67 million (30 June 2022: 1.46 million). As in Motor, price increases have led to higher average premiums which contributed to a significant 30% increase in turnover
  - Profit grew to £8.7 million (from £4.3 million) as a result of the benefit of the commutation of quota share arrangements on prior underwriting years more than offsetting a higher current period attritional loss ratio, with price increases still earning through

UK Motor Insurance

£m	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Turnover*1	1,520.9	1,271.8	2,493.0
Total premiums written*1*2*4	1,403.4	1,164.1	2,271.3
Gross earned premium*1	961.2	865.5	1,795.7
Gross other insurance revenue	58.8	55.9	114.0
Insurance revenue	1,020.0	921.4	1,909.7
Insurance revenue net of XoL*2	994.0	899.8	1,865.1
Insurance expenses*1*2*3	(220.5)	(183.7)	(389.6)
Insurance claims incurred net of XoL*2	(834.2)	(721.6)	(1,596.0)
Insurance claims releases net of XoL*2	237.1	190.9	327.2
Quota share reinsurance result*2*3	13.1	16.2	95.2
Movement in onerous loss component net of reinsurance*2	—	(3.1)	5.2
Underwriting result*2	**189.5**	**198.5**	**307.1**
Investment income	50.9	20.9	53.8
Net insurance finance expenses	(25.3)	(14.5)	(36.4)
Net investment income	**25.6**	**6.4**	**17.4**
Co-insurer profit commission	44.8	53.8	127.5
Other net income	38.3	32.2	72.9
UK Motor Insurance profit before tax*1	**298.2**	**290.9**	**524.9**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Alternative Performance Measures – refer to note 13 for explanation and reconciliation to statutory income statement measures*
**3 Insurance expenses and quota share reinsurance result excludes gross and reinsurers share of share scheme charges respectively. For share scheme charges refer to Other Group Items*
**4 Total premiums restated for prior periods to reflect premiums for all underwritten ancillary products. There is a corresponding reduction in Other net income, and no impact on Turnover*
**XoL refers to Excess of Loss (non-proportional) reinsurance; see glossary at end of report for further information*

Key performance indicators

	30 June 2023	**30 June 2022**	**31 Dec 2022**
Reported Motor loss ratio*1*2	60.1%	59.0%	68.0%
Reported Motor expense ratio*1*3	22.2%	20.4%	20.9%
Reported Motor combined ratio*1*2	82.3%	79.4%	88.9%
Reported Motor Insurance service margin*1*4	19.1%	22.1%	16.5%

Core motor loss ratio before releases*1*5	92.7%	89.6%	95.7%
Core motor claims releases *1*5	(26.9%)	(24.1%)	(20.0%)
Core motor loss ratio*1*5	65.8%	65.5%	75.7%
Core motor expense ratio*1*6	23.4%	21.7%	21.6%
Core motor combined ratio*1	89.2%	87.2%	97.3%
Core motor written expense ratio*7	19.5%	19.6%	20.8%
Vehicles insured at period end*1	4.76m	5.14m	4.94m
Other revenue per vehicle*8	£60	£59	£58

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Reported Motor loss ratio defined as insurance claims incurred and claims releases divided by insurance revenue, net of excess of loss reinsurance. Reconciliation in note 13c*
**3 Reported Motor expense ratio defined as insurance expenses divided by insurance revenue, net of excess of loss reinsurance. Reconciliation in note 13c*
**4 Reported Motor insurance service margin defined as underwriting result divided by insurance revenue, net of excess of loss reinsurance*
**5 Core motor loss ratio defined as insurance claims incurred and claims releases divided by core product insurance premium revenue, net of excess of loss reinsurance. Presented to enable analysis of core motor result excluding other ancillary income. Reconciliation in note 13c*
**6 Core motor expense ratio defined as insurance expenses divided by core product insurance premium revenue, net of excess of loss reinsurance. Reconciliation in note 13c*
**7 Core motor written expense ratio defined as insurance expenses divided by core product written insurance premium, net of excess of loss reinsurance*
**8 Other revenue per vehicle includes other revenue included within insurance revenue. See "Other Revenue" section for explanation and reconciliation*

UK Motor profit in the first six months of 2023 was £298.2 million, 3% higher than the same period in 2022 (H1 2022: £290.9 million) as a result of positive development of prior year claims and higher investment income due to a higher interest rate environment. This was partly offset by a higher current period loss ratio, as a result of the premium earned in the period not fully reflecting the significant price increases that started in 2022 and are continuing into H2 2023. Higher net insurance finance expenses as the discounting of claims incurred in higher interest rate environments in 2022 start to unwind, and a higher earned expense ratio, also contributed. On a written basis the expense ratio is flat year on year.

Customer numbers reduced by 7% year-on-year, with a slightly lower reduction in H1 2023 (-3%) compared to H2 2022 (-4%). This was primarily as a result of strong price increases ahead of the market for a large part of the period, although market prices have started to increase more strongly towards the end of H1 2023. Admiral increased prices around 20% across new business and renewals in H1 2023 to reflect continued high claims inflation in the period, which remained above expectation, and will continue to maintain pricing discipline if the current level of claims inflation persists.

Gross earned premium at £961.2 million is 11% higher than H1 2022, reflecting a significant increase in average earned premium as the price increases over the course of the last year, and in particular the last six months, are starting to earn through.

The core motor expense ratio increased to 23.4% (H1 22: 21.7%), as a result of a delay in the pricing increases earning through. The pricing increases are however reflected in the written expense ratio, which remained stable at 19.5% (H1 2022: 19.6%). Insurance expenses are higher in H1 2023, driven by a short-term increased cost of claims handling.

The movement in onerous loss component reflects the movement in the provision for projected claims costs, inclusive of risk adjustment, on unearned premium. During the first half of 2022, the provision increased although was subsequently fully released by the end of 2022 as price increases made through the second half of the year resulted in higher projected profitability on unearned business. At H1 2023, the provision remained at £nil and therefore there is no resulting impact on profit in the period.

Claims Incurred

Claims inflation remains high and continues to be influenced by the average costs of repairing vehicles, in turn due to the elevated cost of replacement parts and paint, as well as high labour costs and shortages, which has also led to longer repair times. Used car price inflation has stabilised. Admiral's current estimate of average claims cost inflation for full year 2023 (compared to full year 2022) is approximately 10%, with higher inflation in the first half of 2023, starting to ease in the second half. Claims frequency increased slightly in H1 2023 v H1 2022, likely due to an increase in miles driven, although remains below pre-Covid levels.

The longer-term impacts of inflation on bodily injury claims remains uncertain. Admiral has not observed material changes in inflation for bodily injury claims settled in 2023 to date, when compared to 2022. However, an allowance in the best estimate reserve continues to be held to reflect the potential impacts of higher than historic levels of future wage inflation on certain elements of large bodily injury claims reserves.

Admiral continues to hold a significant and prudent risk adjustment above best estimate reserves which has been reduced slightly (94th percentile confidence level) when compared to the end of 2022, the reduction being in line with expectations as the Group continues to diversify.

The core motor loss ratio is broadly flat at 65.8% (H1 2022: 65.5%) with offsetting movements in the current period loss ratio and prior year reserve releases, as follows:

Reported Motor loss ratio*1	**Core motor loss ratio before releases**	**Impact of claims reserve releases**	**Core motor loss ratio**
H1 2022	**89.6%**	**(24.1%)**	**65.5%**
Change in current period loss ratio	3.1%	—	3.1%
Change in claims reserve release	—	(2.8%)	(2.8%)
H1 2023	**92.7%**	**(26.9%)**	**65.8%**

**1 Reported motor loss ratio shown on a discounted basis*

- The current period loss ratio increased by 3.1 points which can be primarily attributed to:
  - Continued high levels of inflation, particularly in damage claims costs as noted above
  - Partially offset by higher average premium in the period following significant price increases, although the full extent of these increases is not yet reflected in earned premium
- The benefit from prior period releases increased by 2.8 points to 26.9%. This includes both the positive development of the best estimate reserve for prior period claims, and the movement in the risk adjustment. The increase in releases in H1 2023 is primarily the result of the small reduction in the risk adjustment from the 95th percentile to the 94th percentile, as noted above.

Quota share reinsurance

Under IFRS 17, Admiral's quota share reinsurance result reflects the net movement on ceded premiums, reinsurer margins and expected recoveries (claims and expenses) for each underwriting year on which quota share reinsurance is in place (primarily 2021 underwriting year onwards).

Admiral's UK motor quota share contracts operate on a funds withheld basis, with Admiral retaining ceded premium (net of the reinsurer margin) which then covers claims and expenses. If an underwriting year is not profitable, investment income is allocated to the withheld fund and used to delay the point at which cash recoveries are collected from the reinsurer. Other features of the arrangements include expense ratio caps and commutation options for Admiral that become available 24-36 months after the start of the underwriting year.

The quota share reinsurance result by underwriting year Is as follows:

Quota share reinsurance result

£m	30 June 2023	30 June 2022	31 Dec 2022
2020 & prior	0.3	(2.9)	(2.9)
2021	(42.6)	(4.1)	7.1
2022	45.6	23.2	91.0
2023	9.8	—	—
Total	**13.1**	**16.2**	**95.2**

The positive quota share result in H1 2023 is therefore driven by:

- High recoveries on the most recent underwriting years (2022 and 2023) that are still being earned (as a result of the higher current loss ratio)
- Offset by the partial reversal of recoveries that had been previously recognised on the 2021 underwriting year, as a result of favorable developments in loss ratio

In H1 2022, the positive result is driven by:

- Higher recoveries on the most recent underwriting year (2022) due to a higher loss ratio
- Offset by lower recoveries on the 2021 underwriting year due to the favourable development of the loss ratio
- Little impact on underwriting years prior to 2020. By the end of 2021, these underwriting years were all profitable on a booked basis and the full cost of the contract (the reinsurers' margin) had already been recognised, with no additional expected recoveries. There is therefore no further impact on the income statement in H1 2023 on these years

Co-insurer profit commission

Co-insurer profit commission is slightly lower in H1 2023 (£44.8 million) compared to H1 2022 (£53.8 million). In H1 2022, a greater proportion of the reserve releases related to older underwriting years which have lower combined ratios, with the releases therefore attracting higher profit commission. In addition, in H1 2023 no profit commission has been recognised on underwriting years 2021 (which attracted significant reserve releases in H1 2023) and onwards, due to the current combined ratio positions on those years.

Net investment income

Net investment income benefitted significantly from the higher yield environment during the first half of 2023, increasing to £25.6 million from £6.4 million in the first half of 2022. Investment income before insurance finance expense more than doubled to £50.9 million (H1 2022: £20.9 million) primarily as a result of the yield environment. Further information on the Group's investment portfolio and the income generated in the period is provided later in the report.

Net insurance finance expense reflects the unwind of the discounting benefit recognised when claims are initially incurred. The expense has increased significantly in H1 2023 (£25.3 million; H1 2022 £14.5 million) as a result of the significant increase in risk-free interest rates since the start of 2022, with a significant proportion of the insurance finance expense in H1 2023 relating to claims incurred during 2022.

Other Revenue

UK Motor Insurance Other Revenue:

£m			30 June 2023
	Within underwriting result	Other net income	**Total**
Premium and revenue from additional products & fees*1	53.5	46.3	99.8
Instalment income and administration fees*2	58.8	12.4	71.2
Other revenue	**112.3**	**58.7**	**171.0**

Claims costs and allocated expenses*3	(31.1)	(20.4)	(51.5)
Net other revenue	**81.2**	**38.3**	**119.5**
Other revenue per vehicle*4			**£60**
Other revenue per vehicle net of internal costs			£50

£m			**30 June 2022**
	Within underwriting result	Other net income	**Total**
Premium and revenue from additional products & fees*1	53.7	40.3	94.0
Instalment income and administration fees*2	55.9	16.1	72.0
Other revenue	**109.6**	**56.4**	**166.0**
Claims costs and allocated expenses*3	(25.6)	(24.2)	(49.8)
Net other revenue	**84.0**	**32.2**	**116.2**
Other revenue per vehicle*4			**£59**
Other revenue per vehicle net of internal costs			£48

£m			**31 Dec 2022**
	Within underwriting result	Other net income	**Total**
Premium and revenue from additional products & fees*1	113.3	90.5	203.8
Instalment income and administration fees*2	114.0	21.9	135.9
Other revenue	**227.3**	**112.4**	**339.7**
Claims costs and allocated expenses*3	(63.4)	(39.5)	(102.9)
Net other revenue	**163.9**	**72.9**	**236.8**
Other revenue per vehicle*4			**£58**
Other revenue per vehicle net of internal costs			£48

**1 Premium from underwritten ancillaries is recognised within the insurance service result (underwriting result). Other income from non-underwritten products and fees is included within other net income, below the underwriting result but part of the insurance segment result.*
**2 Instalment income and administration fees are recognised within insurance revenue (% aligned to Admiral's share of premium, net of coinsurance) and other revenue (% aligned to co-insurance share of premium).*
**3 Claims costs relating to underwritten ancillary products, along with an allocation of related expenses, are recognised within the insurance result. Expenses allocated to the generation of revenue from non-underwritten ancillaries is recognised within other net income.*
**4 Other revenue per vehicle (before internal costs) divided by average active vehicles, rolling 12-month basis. Presented here based on all ancillary income; also see note 13c for further information.*

Admiral generates other revenue from a portfolio of insurance products that complement the core car insurance product, and also fees generated over the life of the policy. The most material contributors to other revenue continue to be:

- Profit earned from Motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration and cancellation fees
- Interest charged to customers paying for cover in instalments

Under IFRS17, income from underwritten ancillaries and an allocation of instalment income and administration fees in line with Admiral's gross share of the core motor product premium, are included within Insurance Revenue in the underwriting result as 'Gross other insurance revenue'. The remaining income from instalment income, fees as well as income from other non-underwritten ancillary products is presented in other net income.

Overall contribution increased to £119.5 million (H1 2022: £116.2 million), as a result of modestly increased income from additional products and fees as well as a reduction in allocated costs.

Other revenue was equivalent to £60 per vehicle (gross of costs), with net other revenue per vehicle at £50 per vehicle, both slightly up compared to 2022.

UK Household Insurance

£m	30 June 2023	30 June 2022	31 Dec 2022
Turnover*1	156.6	120.7	255.4
Total premiums written*1*3	147.7	116.6	245.7
Gross Insurance revenue	136.2	111.5	236.9
Underwriting result, net of XoL reinsurance	**(1.4)**	**16.8**	**(28.8)**
Quota share reinsurance result*4	6.2	(17.3)	9.2
Underwriting result *1*2	**4.8**	**(0.5)**	**(19.6)**
Net insurance investment income	0.4	0.8	1.2
Other income	3.5	4.0	7.7
UK Household Insurance result before tax	**8.7**	**4.3**	**(10.7)**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Alternative Performance Measures – refer to note 13 for explanation and reconciliation to statutory income statement measures*
**3 Total premiums restated for prior periods to reflect premiums for all underwritten ancillary products. There is a corresponding reduction in Other net income, and no impact on turnover*
**4 Quota share reinsurance result within the segment result excludes reinsurers' share of share scheme costs*

Key performance indicators

	30 June 2023	30 June 2022	31 Dec 2022
Reported Household loss ratio*1*2	71.0%	54.0%	81.5%
Reported Household expense ratio*1*3	30.2%	30.2%	31.4%
Reported Household combined ratio*1	101.2%	84.2%	112.9%
Household insurance service margin	3.7%	(0.4%)	(8.8%)
Impact of severe weather and subsidence on reported loss ratio*1	5.7%	10.0%	29.0%
Impact of severe weather and subsidence on result before tax*1 (£m)	2.2	9.9	33.3
Households insured at period end (m)	1.67	1.46	1.58

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Household loss ratio: Reconciliation in note 13d*
**3 Household expense ratio excludes share scheme costs: Reconciliation in note 13d*

The UK Household insurance business continued to enjoy good growth with turnover increasing by 30% to £156.6 million (H1 2022: £120.7 million) as Admiral increased prices ahead of the market to reflect higher claims inflation and the weather events at the end of 2022. The number of households insured increased by 14% to 1.67 million (30 June 2022: 1.46 million) with growth in both the price comparison and direct channels, despite challenging market conditions and double-digit price increases made by Admiral during the first half of 2023.

The reported loss ratio increased to 71% (H1 2022: 54%). The impact of weather events on the loss ratio in the period was lower at 6 percentage points (H1 2022: 10 points). The current period attritional loss ratio was higher at

68% (H1 2022: 53%) as a result of higher claims inflation, exacerbated by market supply chain pressures following the December 2022 freeze event. Admiral responded with price increases, the full extent of which will earn through in the second half and into 2024.

Prior period releases, primarily reflecting the unwind of risk adjustment, benefitted the reported loss ratio by 3 percentage points (H1 2022: 9 points), with the lower benefit partly as a result of an increase in the estimate of ultimate cost of the December 2022 freeze event.

Admiral's expense ratio was broadly in line with the first half of 2022 at 30%, with the impact of continued investment in technology, offset by increasing average premiums and the benefits of increased scale.

The quota share result for the period of £6.2 million profit (H1 2022: loss of £17.3 million) benefitted from a one-off recognition of reinsurer profit commission relating to prior periods following a commutation. The quota share result for H1 2022 was negatively impacted by the original derecognition of that profit commission resulting from the significant weather events as well as a smaller impact in respect of slower recognition of expense recovery from reinsurers.

Profit before tax for the period was £8.7 million (H1 2022: £4.3 million). Excluding the impact of severe weather, profit for the period was lower than the prior period at £10.9 million (H1 2022: £14.2 million), primarily as a result of the higher attritional loss ratio with the impact partially offset by the profit commission benefit noted above.

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UK Insurance Co- and Reinsurance

Admiral makes significant use of proportional risk sharing agreements (co-insurance and quota share reinsurance) which include profit commission terms that allow Admiral to retain a significant portion of the profit generated.

Munich Re and its subsidiary entity Great Lakes currently underwrite 40% of Admiral's UK Car insurance business. The details of these arrangements with Munich Re are as set out in the 2022 Annual Report, with agreements in place until at least the end of 2026.

Admiral has other UK Motor quota share agreements confirmed at least to the end of 2024, covering 38% of business written.

For UK Household insurance, Admiral retains 30% and has quota share contracts covering 70% of the book in place until at least the end of 2024.

The Group tends to commute its UK Motor insurance quota share agreements 24-36 months after inception of an underwriting year, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract and having assessed the solvency implications of the commutation for the Group and its underwriting subsidiary. During the first half of 2023, there were no significant UK motor commutations. The majority of quota share reinsurance covering 2020 and prior underwriting years was commuted prior to the start of this half year period.

International Insurance

£m	30 June 2023	30 June 2022	31 Dec 2022
Turnover[*1]	464.3	393.7	795.9
Total premiums written[*1*2]	437.6	368.9	744.2
Insurance revenue	407.2	357.0	750.0
Insurance revenue net of XoL[*1]	396.8	350.7	732.0

Insurance expenses*1	(125.8)	(124.1)	(254.6)
Insurance claims net of XoL*1	(269.7)	(239.4)	(547.1)
Underwriting result, net of XoL	**1.3**	**(12.8)**	**(69.7)**
Quota share reinsurance result*1*3	(13.1)	(4.7)	13.9
Movement in net onerous loss component	0.8	(0.9)	(1.0)
Underwriting result*1	**(11.0)**	**(18.4)**	**(56.8)**
Net investment income	1.9	(0.1)	1.1
Net other revenue	1.5	1.6	(0.5)
International Insurance loss before tax*1	**(7.6)**	**(16.9)**	**(56.2)**

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*
**2 Total premiums restated for prior periods to reflect premiums for all underwritten ancillary products. There is a corresponding reduction in Other net income, and no impact on turnover*
**3 Quota share reinsurance result within the segment result excludes reinsurers' share of share scheme costs*

Key performance indicators

	30 June 2023	30 June 2022	31 Dec 2022
Loss ratio*1	68.0%	68.3%	74.7%
Expense ratio*1	31.6%	35.4%	34.8%
Combined ratio*1	99.6%	103.7%	109.5%
Insurance service margin*1	(2.8%)	(5.3%)	(7.8%)
Customers insured at period end (m)	2.21	1.98	2.08

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

International Motor Insurance – Geographical analysis*1

30 June 2023	Spain	Italy	France	US	Total
Vehicles insured at period end	0.46m	1.07m	0.41m	0.22m	2.16m
Turnover (£m)	62.6	145.1	113.4	138.4	459.5

30 June 2022	Spain	Italy	France	US	Total
Vehicles insured at period end	0.40m	0.92m	0.38m	0.24m	1.94m
Turnover (£m)	51.0	115.3	99.5	127.9	393.7

31 December 2022	Spain	Italy	France	US	Total
Vehicles insured at period end	0.43m	0.97m	0.40m	0.24m	2.04m
Turnover (£m)	104.6	227.9	190.4	268.5	791.4

**1 Alternative Performance Measures – refer to the end of this report for definition and explanation*

Split of International Insurance result

£m	30 June 2023	30 June 2022	31 Dec 2022
European Motor	4.7	(1.6)	(16.5)

US Motor	(10.4)	(13.6)	(36.4)
Other	(1.9)	(1.7)	(3.3)
International Insurance loss before tax	**(7.6)**	**(16.9)**	**(56.2)**

Admiral's International insurance businesses continued to grow both turnover and customer numbers, with customers increasing by 12% to 2.21 million (30 June 2022: 1.98 million) and turnover growth of 18% to £464.3 million (H1 2022: £393.7 million).

The insurance service margin also improved to -2.8% (H1 2022: -5.3%), driven by the combined ratio. This, together with increased investment income, resulted in a lower reported loss before tax of £7.6 million (H1 2022: £16.9 million).

The combined ratio improved to 99.6% (H1 2022: 103.7%), due to the combined effect of higher premiums as well as the benefits of increased scale in the European businesses and a reduced cost base in the US, which results in an expense ratio improvement to 31.6% (H1 2022: 35.4%). Investment in distribution diversification continued via broker channels and partnerships, to further facilitate long term growth and profitability of these businesses.

The European insurance operations in Spain, Italy and France insured 1.94 million vehicles at 30 June 2023 – 14% higher than a year earlier (30 June 2022: 1.70 million). Motor turnover was up 21% to £321.1 million (H1 2022: £265.8 million), driven by strong price increases and the larger book sizes. The combined European Motor profit was £4.7 million (H1 2022: loss of £1.6 million). The combined ratio reduced to 93% (H1 2022: 94%), as a result of higher average premium and an improved expense ratio, partially offset by high claims inflation.

Inflation continued to persist in the first half of 2023 and has had a material impact on the market results over the past year. As a result, market premiums have increased and market cycles are turning, particularly in Italy and Spain. Admiral continues to focus on medium term profitability to maintain a strong position in navigating the market cycle.

Admiral Seguros (Spain) grew by 13% to 0.46 million customers over the past year (30 June 2022: 0.40 million), within the context of a competitive market with high claims inflation. The business continues to focus on enhancing digital and data capabilities, as well as sustainable growth through distribution diversification through the broker channel and other partnerships.

The Group's largest international operation, ConTe in Italy, continued to grow strongly and increased vehicles insured by 15% to 1.07 million (30 June 2022: 0.92 million) despite continued price increases. The business continued to focus on risk selection and expense reduction as well as continued growth in the broker channel.

L'olivier assurance (France) continued to grow within the context of a challenging market reflecting lower price increases to manage inflation than in other markets. The customer base increased by 8% to 0.41 million at 30 June 2023 (30 June 2022: 0.38 million). The business has focused on risk selection and loss ratio improvements, together with a marketing focus on digital acquisition to drive growth during the period.

In the US, Admiral underwrites motor insurance through its Elephant Auto business. In the first half of 2023, Elephant focused on materially improving the underwriting result and minimising the capital injection required for the business. The business took strong actions, including through large price increases and a reduction in the cost base, through improved operational efficiencies and efficient use of tech and digitalisation of processes. Turnover increased by 8% to £138.4 million (H1 2022: £127.9 million) reflecting these price increases, whilst the conscious decision to focus on margin over growth led to a decrease in the number of vehicles insured by 8% to 0.22 million (30 June 2022: 0.24 million).

As a result, Elephant is on track in its focus to reduce losses, reporting a lower loss of £10.4 million in the period (H1 2022: £13.6 million loss) and will continue to prioritise improving the loss ratio ahead of growth in the immediate future.

Admiral Money

£m	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Total interest income	43.6	25.5	58.7
Interest expense*1	(12.7)	(5.6)	(14.1)

Net interest income	**30.9**	**19.9**	**44.6**
Other fee income	0.1	0.2	0.3
Total income	**31.0**	**20.1**	**44.9**
Credit loss charge	(16.6)	(9.0)	(20.6)
Expenses	(11.7)	(10.9)	(22.2)
Admiral Money profit before tax	**2.7**	**0.2**	**2.1**

*[*1] Includes £0.8 million intra-group interest expense (H1 2022: £0.8 million; FY 2022: £1.5 million)*

Admiral Money distributes and underwrites unsecured personal loans and car finance products for UK consumers through the comparison channel, credit scoring applications and direct to consumers via the Admiral website. The aim of the proposition is to provide customers with affordable guaranteed rates, ensuring transparency and certainty.

Gross loans balances continued to grow, rising 31% to £1.03 billion at the end of June 2023 (30 June 2022: £0.79 billion), with a £74.6 million (30 June 2022: £53.5 million) expected credit loss provision. This leads to a net loans balance of £0.96 billion (30 June 2022: £0.73 billion).

The business reported a pre-tax profit of £2.7 million (improving from £0.2 million in H1 2022), the third consecutive half year of profit for the business. The improvement was driven largely by strong interest income growth of 55% to £30.9 million (30 June 2022: £19.9 million) driven by growth in the loan portfolio, cost discipline and higher net interest margins.

In 2023, Admiral Money has continued to manage its lending criteria in response to higher inflation and interest rate rises. Credit loss models reflect the latest economic assumptions and post model adjustments to maintain an appropriate level of prudence given the economic outlook. The provision to loans balance coverage ratio remains at 7.2% (31 December 2022: 7.2%), leading to a £21.1 million increase in absolute provision size to £74.6 million. The provision includes post model adjustments of £12.6 million (H1 2022: £12.2 million), reflecting the current uncertainty in the UK economic environment.

Admiral Money is funded through a combination of internal and external funding sources. The external funding is secured against certain loans via a transfer of the rights to the cash-flows to two special purpose entities (“SPEs”). The securitisation and subsequent issue of notes via SPEs does not result in a significant transfer of risk from the Group.

Other Group Items

£m	**30 June 2023**	**30 June 2022**	**31 Dec 2022**
Share scheme charges	(22.7)	(26.1)	(51.7)
Other central costs[*1]	(15.2)	(11.0)	(15.6)
Admiral Pioneer result[*1]	(12.7)	(8.8)	(13.5)
Business development costs[*1]	(7.9)	(3.9)	(8.8)
Finance charges	(6.3)	(5.7)	(12.1)
Compare.com loss before tax	(2.6)	(1.7)	(2.8)
Other interest and investment income[*1]	2.3	8.0	10.1
Total	**(65.1)**	**(49.2)**	**(94.4)**

[*1] *A number of small re-allocations of costs/ income have been made between these lines and UK insurance/ International insurance segment results at FY 2022. These include moving costs related to the French fleet insurance business (closed in H1 2023) out of the Admiral Pioneer operating result, leading to a lower loss in Admiral Pioneer than reported at FY 2022*

Share scheme charges relate to the Group’s two employee share schemes. The small reduction in charge in the period is driven primarily by the lower dividend-linked bonuses paid to holders of unvested share awards.

Other central costs consist of Group-related expenses and include the cost of a number of significant Group projects, including the preparation and implementation of the significant new insurance accounting standard, IFRS 17, and the development of the internal capital model. Additional expenses include donations for the Admiral Community fund, and other regulatory projects.

Admiral launched Admiral Pioneer in 2020 to focus on new product diversification opportunities, as part of the investment in product diversification. Pioneer businesses include Veygo (short term and learner driver car insurance in the UK) and small business insurance in the UK. Pioneer reported a loss of £12.7 million in H1 2023 (H1 2022: £8.8 million). This was mainly driven by an increase in large claims experience in Veygo, for which a cautious reserving approach has been adopted, together with continued investment in the small business insurance product.

Business development costs increased to £7.9 million (H1 2022: £3.9 million), primarily attributed to small tests on potential new businesses within the insurance operations across the Group. Admiral took the decision to close its small fleet insurance business in France, which also resulted in modest closure costs.

Finance charges of £6.3 million (H1 2022: £5.7 million) primarily related to interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the financial statements).

A loss of £2.6 million (H1 2022: £1.7 million) was attributed to compare.com in the first half of the year, which was a combination of a small loss in the business together with a small loss recognised on disposal. The sale of this US comparison business completed during the period, with no cash exchange as a result, but Admiral receiving a minority share in the acquiring business.

Other interest and investment income decreased to £2.3 million in H1 2023 (H1 2022: £8.0 million), noting that in H1 2022 £4.7 million was attributed to gains from the sale of UK government bonds which was not repeated in the current period.

Group capital structure and financial position

Group capital position (estimated)

	H1 2023 £bn	H1 2022 £bn	YE 2022 £bn
Eligible Own Funds (post-dividend)*1	1.25	1.24	1.20
Solvency II capital requirement*2	0.69	0.67	0.66
Surplus over regulatory capital requirement	**0.56**	**0.57**	**0.54**
Solvency ratio (post-dividend)*3	**182%**	**185%**	**180%**

*1 *HY'23 Own Funds include approximately £250 million of Tier 2 capital following the Group's recent issue of 10-year subordinated loan notes. YE'22 and HY'22 Own Funds include approximately £200 million of Tier 2 capital.*

*2 *Solvency capital requirement includes updated, unapproved 'dynamic' capital add-on.*

*3 *Solvency ratio calculated on a volatility adjusted basis*

At the date of this report, the Group reports a strong post-dividend solvency ratio of 182%, 2 percentage points higher than reported with the Group's 2022 year end results. The H1 2023 solvency ratio includes the benefit of the increased Tier 2 capital resulting from the Group's recent issue of 10.5 year, £250 million subordinated loan notes. At the same time as the new issue, the Group made a tender offer for the existing £200 million subordinated loan notes, due to mature in 2024. £145 million of the 2024 notes were tendered, with the remaining £55 million of 2024 notes excluded from Own Funds at H1 2023.

Excluding the benefit of increased Tier 2 capital, the H1 2023 solvency ratio is 175%, 5 percentage points lower than at YE 2022. Whilst post-dividend Own Funds are broadly consistent with the end of 2022, the increased solvency capital requirement results in the lower solvency ratio. Higher premiums in the Group's insurance businesses as well as growth in the Group's loan book result contribute to the increase in solvency capital requirement.

The Group solvency on a regulatory basis as at 30 June 2023 is estimated at 150% (30 June 2022: 164%), primarily as a result of a higher solvency capital requirement. In the regulatory basis, the capital add-on approved by the PRA is fixed and so does not reflect changes in risk profile (primarily profit commission risk) across the underwriting cycle. The ratio at 30 June 2023 is based on the original £81 million fixed capital-add-on, and excludes the benefit of the additional Tier 2 capital which was finalised in early July 2023.

At the Group's request, the PRA has recently issued notice of an updated Group capital add-on of £24 million, which is lower than the previously approved add-on of £81 million, but higher than the Group's own assessment of the capital add-on at H1 2023. The Group expects to use this updated add-on in its QRT reporting from Q3 2023. If it were in place at the end of Q2, the estimated regulatory solvency ratio, including the benefit of the additional capital generated post 30 June and the tier 2 issue, would increase to 176%.

The Group continues to develop its partial internal model to form the basis of future capital requirements. The timescale for formal application remains under review. In the interim period before model approval, the current capital add-on basis will continue to be used to calculate the regulatory capital requirement.

Solvency ratio sensitivities

	H1 2023	H1 2022	YE 2022
UK Motor – incurred loss ratio +5%	-11%	-10%	-11%
UK Motor – 1 in 200 catastrophe event	-1%	-1%	-1%
UK Household – 1 in 200 catastrophe event	-5%	-4%	-4%
Interest rate – yield curve up 100 bps	-3%	-1%	-2%
Interest rate – yield curve down 100 bps	+2%	-2%	+2%
Credit spreads widen 100 bps	-9%	-9%	-9%
Currency – 25% movement in euro and US dollar	-3%	-3%	-3%
ASHE – long term inflation assumption up 50 bps	-2%	-3%	-3%
Loans – 100% weighting to 'severe' scenario[*1]	-1%	-1%	-1%

*[*1] Refer to note 7 to the financial statements for further information on the 'severe' scenario*

Investments and cash

Admiral Group's investment strategy focuses on capital preservation and low volatility of returns. The business follows an asset liability matching strategy to control interest rates, inflation and currency risk. A prudent level of liquidity is held and the investment portfolio has a high-quality credit profile.

Investment return

£m	30 June 2023	30 June 2022	31 Dec 2022
Underlying investment income yield	3.0%	1.4%	1.6%
Investment return	58.4	27.8	64.1
Unrealised (losses)/gains on derivatives	(0.2)	0.4	0.5
Movement in provision for expected credit losses	(0.5)	1.4	1.8
Total investment return	**57.7**	**29.6**	**66.4**

Investment income for the first half of 2023 was £57.7 million (H1 2022: £29.6 million; FY 2022 £66.4 million). Provisions for expected credit losses moved up slightly, leading to a £0.5 million loss (H1 2022: £1.4 million gain). The investment return on the Group's investment portfolio (excluding unrealised gains and losses and the movement in provision for expected credit losses) was £58.4 million in H1 2023 (compared to £27.8 million in H1 2022). The unrealised rate of return was higher at 3.0% (H1 2022 1.4%), mainly as a result of higher reinvestment yields.

The increase in interest rates in H1 2023 resulted in a reduction in the market value of the portfolio of £22.4 million (H1 2022: 173.2 million reduction). That movement is reflected in the statement of other comprehensive income.

The Group continues to generate significant amounts of cash and its capital-efficient business model enables the distribution of the majority of post-tax profits as dividends. Total cash and investments at 30 June 2023 was £4,043.9 million (30 June 2022: £3,900.3 million), the higher balance at the end of the current period reflecting proceeds from Admiral's bond issuance, offset by lower investment market values which is driven by interest rates and dividend payments. The net increase in cash and investments in the period is £143.6 million.

Cash and investments analysis

£m	30 June 2023	30 June 2022	31 Dec 2022
Fixed income and debt securities	2,762.3	2,461.6	2,372.7
Money market funds and other fair value instruments	713.1	866.2	934.7
Cash deposits	105.8	65.9	101.4
Cash	462.7	506.6	297.0
Total	**4,043.9**	**3,900.3**	**3,705.8**

Taxation

The tax charge for the period is £60.0 million (H1 2022: £42.9 million), which equates to 25.6% (H1 2022: 19.1%) of profit before tax. The increase in the UK rate of corporation tax to 25% (from 19%) from 1 April 2023 is a significant driver of the increase.

Principal Risks and Uncertainties

Admiral has performed a robust assessment of its principal risks and uncertainties (PR&Us), including those which would threaten its business model, future performance, liquidity and solvency. This assessment has concluded that Admiral's PR&Us are consistent with those reported in the Group's 2022 Annual Report (pages 114 – 121). However, given the importance of the following topics, additional commentary has been provided on their specific impact on Admiral's PR&Us: the changing economic outlook, Consumer Duty, cyber and operational resilience, and climate change.

Changing Economic Outlook

Admiral continues to closely review the Group's position in response to ongoing financial market volatility and wider economic uncertainty. Within this focus is given to such factors as: supply chain disruption caused by geopolitical instabilities such as the ongoing Russia-Ukraine conflict and the economic slowdown in China; increased claims and wage inflation; banking uncertainties resulting from the collapse of regional US banks and the UBS rescue of Credit Suisse; and persisting as well as volatile inflation, and pressures on individual household finances, including from increasing mortgage interest rates.

Admiral continues to manage these challenges with a disciplined, long-term approach to pricing, growth and development; and by maintaining a prudent reserving approach to claims. Admiral's ability to manage market uncertainty is further supported by a prudent approach to investment, with an emphasis on liquidity and good quality short-maturity credit.

Admiral also recognises the importance of supporting its people and customers through this challenging time, for example by, providing support to some UK staff in meeting increased energy costs, as well as working closely with its extended accident network to manage increasing claims costs associated with inflation, energy prices and supply chain disruption.

Consumer Duty
Admiral is well-known for its customer-centric approach and are supportive of the aim of enhancing consumer protection and clarity of communications across all financial services firms. The Group has worked hard to ensure we implemented all changes needed to enhance delivery, evidencing and monitoring of customer outcomes – drawing on external subject matter experts and consultations with the regulator to drive and deliver these enhancements. Although Admiral has implemented Consumer Duty, it will, as before, continue to review and evolve its proposition in order to continue to deliver good outcomes and clear communications for our customers.

Cyber and Operational Resilience
Admiral has continued to enhance its technology, cyber and operational resilience capabilities, and continues to actively monitor and manage the threats arising in this area. Key developments in these areas include security improvement programmes across the Group, on-going extensive staff training in key areas such as phishing prevention, as well as continued investment in staff and security in and around the Group's IT infrastructure.

Climate Change
Admiral remains committed to recognising and understanding the threats and opportunities posed by climate change to the Group, as well as to mitigating its impact on the environment. Climate-related risks can, to varying degrees, impact on all of Admiral's business lines, operations, and investments, and may also impact reinsurance arrangements. The Group recognises that while there are risks from delayed action, there are also opportunities from considering the challenges, including the potential to accelerate the Group's transformation, to build resilience, to drive innovation in our insurance products, to gain competitive advantage in new and existing markets, and to help attract and retain talent.

As part of this work there is an ongoing Group focus on:

- Ensuring full compliance with existing and emerging regulatory and disclosure requirements
- Further assessing the strategic risks and opportunities arising from climate change
- Reflecting climate-related risk into business-as-usual risk management, such as pricing, reserving, and climate scenario testing
- Continuing efforts to further reduce the Group's own carbon footprint, as well as providing staff with additional information on how to reduce their personal carbon footprints

Disclaimer on forward-looking statements

Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Condensed consolidated income statement (unaudited)

		Six months ended		Year ended
	Note	**30 June 2023 (unaudited) £m**	30 June 2022 (restated, unaudited) £m	31 December 2022 (restated, unaudited) £m
Insurance revenue		**1,607.0**	1,413.8	2,956.9
Insurance service expenses		**(1,437.7)**	(1,261.4)	(2,737.2)
Insurance service result before reinsurance	5	**169.3**	152.4	219.7
Net expense from reinsurance contracts held	5	**(16.8)**	(0.4)	(38.4)

Insurance service result		**152.5**	**152.0**	**181.3**
Investment return		**58.0**	**28.2**	**64.6**
Finance expenses from insurance contracts issued		**(47.4)**	(21.1)	(52.0)
Finance income from reinsurance contracts held		**18.3**	6.1	13.6
Net insurance finance expenses		**(29.1)**	(15.0)	(38.4)
Net insurance and investment result		**181.4**	**165.2**	**207.5**
Interest income from financial services		**43.6**	25.4	58.7
Interest expense related to financial services		**(11.9)**	(4.8)	(12.6)
Net interest income from financial services		**31.7**	**20.6**	**46.1**
Other revenue and profit commission	8	**108.6**	118.4	256.4
Other operating expenses	9	**(120.2)**	(108.1)	(204.6)
Other operating expenses recoverable from co-insurers		**55.8**	42.0	86.7
Expected credit losses		**(17.1)**	(7.6)	(18.9)
Other income and expenses		**27.1**	**44.7**	**119.6**
Operating profit		**240.2**	**230.5**	**373.2**
Finance costs		**(7.2)**	(6.7)	(13.5)
Finance costs recoverable from co- and reinsurers		0.9	0.8	1.5
Net finance costs		**(6.3)**	**(5.9)**	**(12.0)**
Profit before tax		**233.9**	224.6	361.2
Taxation expense	10	**(60.0)**	(42.9)	(75.9)
Profit after tax		**173.9**	**181.7**	**285.3**
Profit after tax attributable to:				
Equity holders of the parent		**174.5**	182.4	286.5
Non-controlling interests (NCI)		**(0.6)**	(0.7)	(1.2)
		173.9	**181.7**	**285.3**
Earnings per share				
Basic	12	**57.6p**	60.8p	95.4p
Diluted	12	**57.5p**	60.7p	95.0p

Dividends declared and paid (total)	12	**154.9**	348.1	658.3
Dividends declared and paid (per share)	12	**52.0p**	118.0p	223.0p

Condensed consolidated statement of comprehensive income (unaudited)

	Note	Six months ended **30 June 2023 (unaudited) £m**	Six months ended 30 June 2022 (restated, unaudited) £m	Year ended 31 December2022 (restated, unaudited) £m
Profit for the period		**173.9**	181.7	285.3
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Movements in fair value reserve		(22.4)	(173.2)	(255.6)
Deferred tax charge in relation to movement in fair value reserve		1.5	9.5	13.0
Movements in insurance finance reserve		16.4	104.8	177.8
Deferred tax in relation to movement in insurance finance reserve		(2.6)	(13.6)	(22.8)
Exchange differences on translation of foreign operations		(2.5)	0.7	(4.3)
Movement in hedging reserve		11.6	12.3	25.1
Deferred tax charge in relation to movement in hedging reserve		(2.9)	—	(7.0)
Other comprehensive income for the period, net of income tax		(0.9)	(59.5)	(73.8)
Total comprehensive income for the period		**173.0**	122.2	211.5
Total comprehensive income for the period attributable to:				
Equity holders of the parent		**173.6**	122.8	212.6
Non-controlling interests		**(0.6)**	(0.6)	(1.1)
		173.0	122.2	211.5

Condensed consolidated statement of financial position (unaudited)

	Note	As at **30 June 2023 (unaudited) £m**	30 June 2022 (restated, unaudited) £m	31 December 2022 (restated, unaudited) £m	1 January 2022 (restated, unaudited) £m
ASSETS					
Property and equipment		81.4	93.1	89.8	103.2
Intangible assets	11	241.8	182.6	217.6	151.8
Deferred income tax		12.2	24.2	28.4	20.7
Corporation tax asset		—	4.3	9.1	10.2

Reinsurance contract assets	5	1,113.4	965.3	1,015.4	987.2
Loans and advances to customers	7	961.1	733.1	823.9	556.8
Other receivables	6	373.2	332.7	316.4	391.5
Financial investments	6	3,583.4	3,393.7	3,411.2	3,742.6
Cash and cash equivalents	6	462.7	506.6	297.0	372.7
Total assets		**6,829.2**	**6,235.6**	**6,208.8**	**6,336.7**
EQUITY					
Share capital	12	0.3	0.3	0.3	0.3
Share premium account		13.1	13.1	13.1	13.1
Other reserves		(54.7)	(35.9)	(50.2)	23.7
Retained earnings		968.7	1,102.9	922.6	1,243.5
Total equity attributable to equity holders of the parent		927.4	1,080.4	885.8	1,280.6
Non-controlling interests		1.2	1.7	1.2	2.3
Total equity		**928.6**	**1,082.1**	**887.0**	**1,282.9**
LIABILITIES					
Insurance contracts liabilities	5	4,139.7	3,927.0	4,025.4	3,926.4
Subordinated and other financial liabilities	6	1,187.3	887.4	939.1	670.9
Trade and other payables	6, 11	480.3	246.1	254.9	351.2
Lease liabilities	6	83.2	93.0	88.5	105.3
Corporation tax liabilities		10.1	—	13.9	—
Total liabilities		**5,900.6**	**5,153.5**	**5,321.8**	**5,053.8**
Total equity and total liabilities		**6,829.2**	**6,235.6**	**6,208.8**	**6,336.7**

Condensed consolidated cash flow statement (unaudited)

		Six months ended		Year ended
		30 June 2023		
			30 June 2022 (restated, unaudited)	31 December 2022 (restated, unaudited)
	Note	**(unaudited) £m**	£m	£m
Profit after tax		**173.9**	181.7	285.3

Adjustments for non-cash items:				
• Depreciation of property, plant and equipment and right-of-use assets		**9.2**	8.8	18.2
• Impairment/ disposal of property, plant and equipment and right-of-use assets		**1.1**	(1.8)	(1.2)
• Amortisation and impairment of intangible assets	11	**17.9**	9.5	23.7
• Movement in expected credit loss provision		**11.5**	7.6	11.7
• Share scheme charges		**27.4**	26.1	57.3
• Accrued interest income from loans and advances to customers		**—**	(0.5)	—
• Interest expense on funding for loans and advances to customers		**11.4**	4.8	12.6
• Investment return	6	**(58.0)**	(28.2)	(64.6)
• Finance costs, including unwinding of discounts on lease liabilities		**7.3**	5.9	13.4
• Taxation expense	10	**60.0**	42.9	75.9
Change in gross insurance contract liabilities	5	**134.7**	181.7	372.8
Change in reinsurance assets	5	**(102.0)**	(54.4)	(124.2)
Change in insurance and other receivables		**(56.8)**	59.4	75.1
Change in gross loans and advances to customers	7	**(148.2)**	(179.6)	(280.6)
Change in trade and other payables, including tax and social security	11	**225.4**	(105.1)	(96.3)
Cash flows from operating activities, before movements in investments		**314.8**	158.8	379.1
Purchases of financial instruments		**(1,399.2)**	(1,606.7)	(3,198.0)
Proceeds on disposal/ maturity of financial instruments		**1,217.3**	1,808.0	3,328.3
Interest and investment income received		**21.2**	26.2	58.7
Cash flows from operating activities, net of movements in investments		**154.1**	386.3	568.1
Taxation payments		**(43.3)**	(46.7)	(91.2)
Net cash flow from operating activities		**110.8**	339.6	476.9

Cash flows from investing activities:				
Purchases of property, equipment and software		**(45.8)**	(44.1)	(98.6)
Investments in Associates		**—**	—	(2.4)
Net cash used in investing activities		**(45.8)**	(44.1)	(101.0)
Cash flows from financing activities:				
Proceeds on issue of loan backed securities		**147.9**	191.7	267.8
Proceeds from other financial liabilities		**105.0**	15.0	—
Finance costs paid, including interest expense paid on funding for loans		**(26.6)**	(11.2)	(25.3)
Repayment of lease liabilities		**(1.8)**	(4.2)	(9.2)
Equity dividends paid	12	**(154.9)**	(348.1)	(658.3)
Net cash used in financing activities		**69.6**	(156.8)	(425.0)
Net increase in cash and cash equivalents		**134.6**	138.7	(49.1)
Cash and cash equivalents at 1 January		**297.0**	372.7	372.7
Effects of changes in foreign exchange rates		**31.1**	(4.8)	(26.6)
Cash and cash equivalents at end of period	6	**462.7**	506.6	297.0

Condensed consolidated statement of changes in equity (unaudited)

		Attributable to the owners of the Company									
	Note	Share Capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Insurance Finance Reserve £m	Retained profit and loss £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
At 1 January 2022 previously reported		**0.3**	**13.1**	**36.7**	**3.0**	**4.3**	**—**	**1,348.8**	**1,406.2**	**2.3**	**1,408.5**
Impact of initial application of IFRS 17		—	—	—	—	0.2	(20.5)	(105.3)	**(125.6)**	—	**(125.6)**
At 1 January 2022 restated		0.3	13.1	36.7	**3.0**	**4.5**	**(20.5)**	**1,243.5**	**1,280.6**	**2.3**	**1,282.9**
Profit/(loss) for the period		—	—	—	—	—	—	182.4	**182.4**	(0.7)	**181.7**
Other comprehensive income		—	—	(163.7)	12.3	0.6	91.2	—	**(59.6)**	0.1	**(59.5)**
Total comprehensive income for the		—	—	(163.7)	12.3	0.6	91.2	182.4	**122.8**	(0.6)	**122.2**

	Note	Share Capital £m	Share premium account	Fair value reserve	Hedging reserve £m	Foreign exchange reserve	Insurance finance reserve	Retained profit and loss	Total £m	Non-controlling interests £m	Total equity £m
period											
Transactions with equity holders											
Dividends	12	—	—	—	—	—	—	(348.1)	**(348.1)**	—	**(348.1)**
Share scheme credit		—	—	—	—	—	—	29.9	**29.9**	—	**29.9**
Deferred tax credit on share scheme credit		—	—	—	—	—	—	(4.8)	**(4.8)**	—	**(4.8)**
Total transactions with equity holders		—	—	—	—	—	—	(323.0)	**(323.0)**	—	**(323.0)**
As at 30 June 2022 (unaudited)		**0.3**	**13.1**	**(127.0)**	**15.3**	**5.1**	**70.7**	**1,102.9**	**1,080.4**	**1.7**	**1,082.1**
At 1 January 2022 previously reported		**0.3**	**13.1**	**36.7**	**3.0**	**4.3**	—	**1,348.8**	**1,406.2**	**2.3**	**1,408.5**
Impact of initial application of IFRS 17		—	—	—	—	0.2	(20.5)	(105.3)	**(125.6)**	—	**(125.6)**
At 1 January 2022 restated		0.3	13.1	36.7	**3.0**	**4.5**	**(20.5)**	**1,243.5**	**1,280.6**	**2.3**	**1,282.9**
Profit/(loss) for the period		—	—	—	—	—	—	286.5	**286.5**	(1.2)	**285.3**
Other comprehensive income		—	—	(242.6)	18.1	(4.4)	155.0	—	**(73.9)**	0.1	**(73.8)**
Total comprehensive income for the period		—	—	(242.6)	18.1	(4.4)	155.0	286.5	**212.6**	(1.1)	**211.5**
Transactions with equity holders											
Dividends	12	—	—	—	—	—	—	(658.3)	**(658.3)**	—	**(658.3)**
Share scheme credit		—	—	—	—	—	—	57.3	**57.3**	—	**57.3**
Deferred tax credit on share scheme credit		—	—	—	—	—	—	(6.4)	**(6.4)**	—	**(6.4)**
Total transaction with equity holders		—	—	—	—	—	—	(607.4)	**(607.4)**	—	**(607.4)**
As at 31 December 2022 (unaudited)		**0.3**	**13.1**	**(205.9)**	**21.1**	**0.1**	**134.5**	**922.6**	**885.8**	**1.2**	**887.0**

Condensed consolidated statement of changes in equity (unaudited) (continued)

	Attributable to the owners of the Company									
	Share Capital £m	Share premium account	Fair value reserve	Hedging reserve £m	Foreign exchange reserve	Insurance finance reserve	Retained profit and loss	**Total £m**	Non-controlling interests £m	**Total equity £m**

	Note		£m	£m		£m	£m	£m			
At 1 January 2023 (unaudited)		0.3	13.1	(205.9)	21.1	0.1	134.5	922.6	**885.8**	1.2	**887.0**
Profit/(loss) for the period		—	—	—	—	—	—	174.5	**174.5**	(0.6)	**173.9**
Other comprehensive income			—	(20.9)	8.7	(2.5)	13.8	—	**(0.9)**	—	**(0.9)**
Total comprehensive income for the period		—	—	(20.9)	8.7	(2.5)	13.8	174.5	**173.6**	(0.6)	**173.0**
Transactions with equity holders											
Dividends	12	—	—	—	—	—	—	(154.9)	**(154.9)**	—	**(154.9)**
Share scheme credit		—	—	—	—	—	—	27.4	**27.4**	—	**27.4**
Deferred tax credit on share scheme credit		—	—	—	—	—	—	(0.9)	**(0.9)**	—	**(0.9)**
Transfer to loss on disposal of assets held for sale		—	—	—	—	(3.6)	—	—	**(3.6)**	0.6	**(3.0)**
Total transactions with equity holders		—	—	—	—	(3.6)	—	(128.4)	**(132.0)**	0.6	**(131.4)**
As at 30 June 2023 (unaudited)		**0.3**	**13.1**	**(226.8)**	**29.8**	**(6.0)**	**148.3**	**968.7**	**927.4**	**1.2**	**928.6**

Notes to the financial statements (unaudited)

1. General information

Admiral Group plc (the “Company”) is a public limited company incorporated and domiciled in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The condensed interim financial statements comprise the results and balances of the Company and its subsidiaries (the Group) for the six-month period ended 30 June 2023 and the comparative periods for the six-months ended 30 June 2022 and the year ended 31 December 2022. This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2022 (“last annual financial statements”), prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

As required by the FCA's Disclosure and Transparency Rules, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2022, except where new accounting standards apply as noted below.

The financial statements of the Company's subsidiaries are consolidated in the Group financial statements. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions.

The comparative figures for the financial year ended 31 December 2022 are not the Company's statutory accounts for that financial year, as a result of the restatement of the comparative figures following the adoption of IFRS 17. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was:

I. unqualified;
II. did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and
III. did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The accounts have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Group's projections for the next 12 months and beyond. Further information is given in note 2 below.

2. Basis of preparation

The condensed set of interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2022, other than in respect of the implementation of IFRS 17, the new insurance contracts accounting standard. Further detail on changes to accounting policies as a result of the implementation of IFRS 17 are provided below.

A number of other IFRS and interpretations have been endorsed by the UK in the period to 30 June 2023 and although they have been adopted by the Group, none of them has had a material impact on the Group's financial statements.
The Group's assessment of the impact of other standards that have yet to be adopted remains consistent with that reported on page 232 of the Group's 2022 Annual Report.

The consolidated financial statements have been prepared on a Going Concern basis. In considering this requirement, the directors have taken into account the following:

- The Group's profit projections, including:
- Changes in premium rates and projected policy volumes across the Group's insurance businesses
- Projected cost of settling claims across all of the Group's insurance businesses, including the impact of continuing high levels of inflation
- Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products
- Projected contributions to profit from businesses other than the UK Car insurance business
- Expected trends in inflation and unemployment in the context of credit risks and the growth of the Admiral Money business
- The Group's solvency position, which continues to be closely monitored through periods of market volatility. The Group continues to maintain a strong solvency position above target levels
- The adequacy of the Group's liquidity position after considering all the factors noted above
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses
- The regulatory environment, focusing on regulatory guidance issued by the FCA and the PRA in the UK and regular communications between management and regulators
- A review of the Company's principal risks and uncertainties and the assessment of emerging risks

Following consideration of all of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the consolidated financial statements.

The accounting policies set out in the notes to the financial statements have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The financial statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or as fair value through other comprehensive income. The financial statements are presented in pounds sterling, rounded to the nearest £0.1 million.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Re-statement of prior period comparatives following IFRS 17 adoption
IFRS 17, the new insurance contracts standard, was effective from 1 January 2023. As a result, the opening balance sheet (1 January 2022) and prior year comparatives (FY 2022 and HY 2022) have been restated under IFRS 17, using a fully retrospective approach (i.e. as though IFRS 17 had always been in place). The new accounting policies and choices adopted in the implementation of IFRS 17 are disclosed in the notes to these financial statements.

The following section provides further information regarding the key factors driving the differences in the 2022 results under IFRS 4 and restated results under IFRS 17.

Summary of restated profits for 2022 due to IFRS 17:

	30 June 2022 (unaudited)			**31 December 2022 (unaudited)**		
£m	**IFRS 17**	**IFRS 4**	***Change***	**IFRS 17**	**IFRS 4**	***Change***
Analysis of profit						
UK Insurance	290.5	321.8	*(31.3)*	509.7	615.9	*(106.2)*
International Insurance	(16.9)	(21.6)	*4.7*	(56.2)	(53.8)	*(2.4)*
International Insurance – European Motor	(1.6)	0.2	*(1.8)*	(16.5)	(1.6)	*(14.9)*
International Insurance – US Motor	(13.6)	(19.8)	*6.2*	(36.4)	(48.9)	*12.5*
International Insurance – Other	(1.7)	(2.0)	*0.3*	(3.3)	(3.3)	—
Admiral Money	0.2	0.2	—	2.1	2.1	—
Other	(49.2)	(49.1)	*(0.1)*	(94.4)	(95.2)	*0.8*
Group profit before tax	**224.6**	**251.3**	***(26.7)***	**361.2**	**469.0**	***(107.8)***

The 2022 profit before tax on an IFRS 17 basis is lower than that reported under IFRS 4, particularly in H2 2022. The following table sets out the key differences for the UK and international insurance profits reported under IFRS 17 compared to IFRS 4:

	Unaudited			
£m	**UK Insurance**		**International Insurance**	
	H1 2022	**FY 2022**	**H1 2022**	**FY 2022**
IFRS 4 reported profit	**321.8**	**615.9**	**(21.6)**	**(53.8)**

Timing of reserve releases	(18.0)	(93.3)	(0.1)	(9.9)
Discounting	2.7	15.4	1.8	9.5
Timing of Quota share reinsurance recoveries	(5.3)	(41.2)	2.5	(2.9)
Other	(10.7)	12.9	0.5	0.9
IFRS 17 reported profit before tax	**290.5**	**509.7**	**(16.9)**	**(56.2)**

The difference between IFRS 4 and IFRS 17 reported profits primarily arises as a result of differences in the reserve strength or risk adjustment position over 2022 under each standard. Under IFRS 4, Admiral moved down to the 95th percentile over the course of 2022, with a greater proportion of this move taking place in H2 2022. Under IFRS17, Admiral moved down to the 95th percentile at the transition date of 1 January 2022, and remained at that percentile during 2022. This results in lower reserve releases under IFRS 17 in 2022, and therefore lower profit. The difference in profit is more pronounced in H2 as the reserve strength movement in H2 2022 under IFRS4 was more significant.

The discounting impact shown above is the impact of the discounting of the gross, net of XoL claims incurred in the period. Whilst there is some favourable impact of £15 million at H1 2022; £52 million at YE 2022), this is offset by the unwind of discounting of prior years. Whilst the higher discount curves seen in 2022 result in this being a net benefit, the Group's accounting policy decision to take the impact of changes in yield curve on outstanding claims reserves to other reserves means that this is not a material driver of IFRS 17 profit in 2022.

In addition, the majority of the discounting benefit on gross claims net of excess of loss reinsurance is offset by the significant adverse movement on quota share recoveries. This is far more significant given that, due to quota share contracts having been largely commuted on earlier underwriting years, there is no significant offsetting "unwind" of discounting within the quota share result.

Other movements include a number of largely offsetting differences in the timing of recognition of acquisition expenses, quota share reinsurance profit commission recoveries, and movements in the onerous loss component.

Changes to accounting policies following the adoption of IFRS 17

(i) Insurance and reinsurance contracts accounting treatment

Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios, which comprise contracts subject to similar risks and which are managed together.

The Group's insurance business is therefore divided into portfolios based on both the product (line of business such as motor, household etc), and geography (UK, Italy, Spain, France and the US).

IFRS 17 requires a further division of the portfolios into a 'group' of contracts (being the lowest unit of account) based on expected profitability, and also requires that no group contains contracts issued more than one year apart.

Following the application of the IFRS 17 level of aggregation requirements, each of the Group's portfolios (which are determined by geography and line of business) is further disaggregated by year of issue into a group of contracts based on expected profitability at inception into three categories:

a. a group of contracts that are onerous at initial recognition, if any;
b. a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and
c. a group of the remaining contracts in the portfolio.

The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

To assess the profitability of groups of contracts, the Group determines the appropriate level at which reasonable and supportable information is available. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. For many of the Group's reinsurance contracts held, a group comprises a single contract. The Group reports its reinsurance contracts by portfolio, which aggregate the contracts by type of reinsurance (e.g. quota share or XoL) and product.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

Presentation

The Group disaggregates the total amount recognised in the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued. This is presented as one single amount in the Consolidated Income Statement, with additional disclosure provided in the notes to the financial statements.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion. It includes the entire change as part of the insurance service result.

ii. ***Measurement***

The table below sets out the Group's accounting policy choices. The Group's accounting policies for measurement are set out in note 5 to these financial statements.

Accounting policy choices

Area	IFRS 17 options	Adopted approach
Premium allocation approach ('PAA') eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for the Group's insurance contracts assumed is one year or less and so qualifies automatically for

		PAA Reinsurance contracts (both XoL and quota share) include contracts with a coverage period greater than one year. However, there is no material difference in the measurement of the asset for remaining coverage between PAA and the general model, therefore these qualify for PAA
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group	The Group's insurance contracts are all one year or less. The Group has therefore taken the option to expense acquisition costs as incurred
Liability for Remaining Coverage ('LRC'), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC	There is no allowance made for accretion of interest on the LRC given that the premiums are received within one year of the coverage period
Liability for Incurred Claims ('LIC') adjusted for time value of money	Where claims or directly attributable insurance expenses are expected to be paid within a year of the date that the claim is incurred, it is not required to	For some claims, for example within the travel product line in the UK, and other immaterial product lines across the Group, the incurred claims are

	adjust these amounts for the time value of money.	expected to be paid out in less than one year. Similarly, the majority of directly attributable insurance expenses are expected to be settled within one year. For these claims and expenses, no adjustment is made for the time value of money. For all other business, the LIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in the LIC resulting from changes in discount rates, and present this in Other Comprehensive Income ('OCI')	The impact on LIC of changes in discount rates will be captured within OCI, in line with the accounting for assets backing the insurance claims liabilities
Interim reporting	Where an entity is required to apply IAS 34 (as for the Group) there is an option as to whether to choose a "year to date" basis or a "period to date" basis for financial reporting	The Group has opted to apply the option to use year-to-date accounting for interim reporting.

3. Critical accounting judgements and estimates (unaudited)

The Group's 2022 Annual Report provides full details of significant judgements and estimates used in the application of the Group's accounting policies. Changes in respect of critical judgements or estimates applied in the period as a result of the implementation of IFRS 17 are provided below.

Note 5 provides further information as to the changes in accounting policies in respect of insurance liabilities and reinsurance assets, and related insurance revenue and expenses, and reinsurance expenses.

Note 7 provides further information as to changes in the estimates with respect to the calculation of the expected credit loss provision for the Admiral Money business.

Changes to critical accounting judgements and key sources of estimation uncertainty (insurance and reinsurance contracts)

Critical accounting judgements

- **Premium allocation approach ('PAA')**

As set out above, the Group has assessed all of its contracts and determined that all contracts qualify for the PAA. The Group therefore applies the PAA to all of its insurance and reinsurance contracts.

- **Classification of the Group's contracts with reinsurers as reinsurance contracts**

A contract is required to transfer significant insurance risk in order to be able to be classified as such. Management reviews all terms and conditions of each such insurance and reinsurance contract in order to be able to make this judgement. In particular, all reinsurance contracts (both excess of loss and quota share contracts) held by the Group have been assessed and it has been concluded that all contracts transfer significant insurance risk and have therefore been classified and accounted for as reinsurance contracts within these financial statements.

- **Unit of account: combination of insurance contracts and separation of distinct components**

The lowest unit of account in IFRS 17 is the contract and there is a presumption that a contract with the legal form of a single contract would generally be considered a single contract in substance. However, there might be certain facts and circumstances where legal form does not reflect the substance and separation is required. IFRS 17 contains requirements on when different insurance contracts should be combined and treated as a single contract for recognition and measurement.
Overriding the legal contract to reflect substance is not a policy choice; it is a significant judgement requiring careful consideration of all relevant facts and circumstances. The following considerations are deemed relevant in assessing whether the contracts should be separated, or alternatively, combined:

- whether there is interdependency between the different risks covered;
- whether components lapse together; and
- whether components can be priced and sold separately.

After separating any distinct components, IFRS 17 is applied to all remaining components of the (host) insurance contract.

The Group has determined that, in applying these requirements to its insurance contracts:

- The cashflows associated with administration fees (for changes to the underlying insurance policy), and instalment income (being the additional fees payable by a policyholder associated with paying for an insurance contract over 12 months, rather than in one up-front payment), are non-distinct given that the policyholder cannot benefit from these services separately and the services are highly interrelated with the core insurance policy. These cashflows are therefore treated as insurance revenue under IFRS 17. However, for the component of the insurance policy that is underwritten outside the Group by a third party insurer, the Group is performing an agency service on behalf of the third party insurer, and therefore this component is treated as a separate component of revenue and accounted for under IFRS 15.
- The cashflows associated with ancillary or “add on” products (which are sold within the same set of contracts as the core product), are separated from the core product given that the risks are not interdependent and the components can be separately priced.
- The individual insurance policies contained in a “multi-cover policy” are treated as separate contracts, given that the components can be priced and sold separately, there is little interdependency between the risks covered, and the components can lapse separately.

In addition, the Group’s quota share reinsurance contracts contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the Group, as the policyholder, will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contacts and are, therefore, non-distinct investment components which are not accounted for separately. Given that the receipt and payment of these non-distinct investment components do not relate to the provision of insurance services, the amounts are not presented as part of reinsurance ceded premiums or recoveries.

- **Presentation of reinsurance “funds withheld” contracts**

The Group has a number of quota share reinsurance contracts that have funds withheld features, whereby the quota share proportion of ceded premiums and related recoveries are retained by the Group, and settled on a net basis at commutation. The only initial cashflows during the coverage period are therefore the payment of any reinsurer margin.
Under IFRS 17, the reinsurance assets related to these funds withheld contracts are presented on a cashflow basis i.e. the full proportional share of ceded premiums and recoveries is not presented in either the income statement or the balance sheet.

Key sources of estimation uncertainty

- **Best estimate of future cashflows to fulfil insurance contracts**

The process for the setting of the best estimate claims reserves is largely unchanged from the process set out in the Group's 2022 Annual Report and therefore is not repeated here.

- **Discount rates**

A bottom-up approach has been applied in the determination of discount rates across all products and geographies. Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

A separate risk-free yield is obtained for each currency, where a material amount of business is written in that currency. The risk-free yield curve is obtained using rates published by the Prudential Regulation Authority (PRA) for the UK insurance business and Elephant, whilst for AECS the EIOPA risk free term structures are used. These curves are available from October 2015 and provides rates for terms up to 150 years.

For periods prior to October 2015, observable market data is available for terms up to 25 years for GBP (30 years for EUR and USD). For terms that aren't directly observable from market data, the Smith-Wilson approach is used to derive the rates which extrapolates between the observable data and an assumed ultimate forward rate. The Smith-Wilson approach is used to derive the published Solvency II yield curves, which supports consistency over time.

Similarly to the approach to risk-free rates, an illiquidity premium will be set by currency. The illiquidity premium will be set by reviewing internal illiquidity benchmarks and, when required, performing quantitative analysis to support qualitative judgement.

Generally, the illiquidity premium is expected to be stable over time and re-assessment of the assumption will be triggered by significant changes in internal illiquidity benchmarks and/or changes in the illiquidity of the liabilities (e.g. claims mix). Quantitative analysis will be performed when the illiquidity premium changes, including performing sensitivity analysis on the assumption.

- **Methods used to measure the risk adjustment for non-financial risk**

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Group's degree of risk aversion. The Group estimates an adjustment for non-financial risk separately from all other estimates.

Applying a confidence level technique (value at risk ('VaR')), the Group estimates the probability distribution of the present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the target confidence level over the expected present value of the future cash flows.
The Group's risk adjustment is set in a range between the 85^{th} and 95^{th} percentile, on a net of excess of loss reinsurance basis.

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applies these techniques both gross and net of excess of loss reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

The risk adjustment is calculated at the issuing entity level. Diversification benefit is included across portfolios within the entity, to reflect the diversification in contracts sold across entities.

The risk adjustment is then allocated down to each portfolio of contracts, using a spread VaR methodology to inform the allocation, to ensure coherence of the gross and excess of loss reinsurance results for risk adjustment across the portfolios within an entity. Allocations of the risk adjustment to each underwriting year (annual cohort) of contracts within a portfolio is performed manually, based on a systematic approach using management judgement. This typically involves allocating a higher proportion of the risk adjustment to the more recent underwriting years that are less developed and therefore more uncertain, compared to the proportion of risk adjustment allocated to older, more developed years.

Where a risk adjustment is required for the liability for remaining coverage due to facts and circumstances indicating that contracts are onerous, this is derived using the risk adjustment for the earned portion of the reserves, adjusted for the unearned claims reserves to reflect the difference in exposure/size of reserves and difference in drivers of risk in the reserves.

The resulting amount of the calculated risk adjustment corresponds to the confidence level at the 94th percentile (2022 – 95th percentile). The methods used to determine the risk adjustment for non-financial risk were not changed in 2022 or 2023. The assumptions used to determine the risk adjustment were updated during 2022 to reflect the Group's current view of uncertainty in the reserves; there have been no material changes in those assumptions since year end 2022.

4. Operating segments (unaudited)

The Group has four reportable segments; UK Insurance, International Insurance, Admiral Money, and Other. The result of the discontinued operations is also shown for completeness. These reportable segments are consistent with those set out on page 238 of the Group's 2022 Annual Report.

Segment income, results and other information

An analysis of the Group's revenue and results for the period ended 30 June 2023, by reportable segment, is shown below. The accounting policies of the reportable segments are consistent with those presented in the notes to the 2022 Group financial statements, other than as a result of the adoption of IFRS 17 as outlined in notes 2, 3 and 5 of these financial statements.

	Six months ended 30 June 2023 (unaudited)					
	UK Insurance £m	**Int. Insurance £m**	**Admiral Money £m**	**Other £m**	**Eliminations[*3] £m**	**Total £m**
Turnover[*1]	1,708.3	464.3	43.6	21.3		**2,237.5**
Insurance revenue net of XoL	1,144.8	396.8	—	19.7	—	**1,561.3**
Insurance services expenses	(271.7)	(125.7)	—	(14.2)	—	**(411.6)**
Insurance claims net of XoL	(701.1)	(269.7)	—	(19.9)	—	**(990.7)**
Quota share reinsurance result	19.4	(13.2)	—	(0.1)	—	**6.1**
Net movement in onerous loss component	0.6	0.8	—	—	—	**1.4**
Underwriting result	192.0	(11.0)	—	(14.5)	—	**166.5**
Net investment income [*2]	25.5	1.9	0.3	0.1	(1.6)	**26.2**
Net interest income from financial services	—	—	31.0	—	0.7	**31.7**
Net other revenue and	86.4	1.5	(28.6)	(3.4)	—	**55.9**

	UK Insurance £m	Int. Insurance £m	Admiral Money £m	Other £m	Eliminations[3] £m	Total £m
operating expenses						
Segment profit/(loss) before tax[4]	**303.9**	**(7.6)**	**2.7**	**(17.8)**	**(0.9)**	**280.3**
Other central revenue and expenses, including share scheme charges[4]						(42.4)
Investment and interest income						2.3
Finance costs						(6.3)
Consolidated profit before tax						**233.9**
Taxation expense						(60.0)
Consolidated profit after tax						**173.9**

Revenue and results for the corresponding reportable segments for the period ended 30 June 2022 are shown below.

	Six months ended 30 June 2022 (restated, unaudited)					
	UK Insurance £m	**Int. Insurance £m**	**Admiral Money £m**	**Other £m**	**Eliminations[3] £m**	**Total £m**
Turnover[1]	1,409.9	393.7	25.7	18.0	(0.2)	**1,847.1**
Insurance revenue net of XoL	1,016.5	350.7	—	13.3	—	**1,380.5**
Insurance services expenses	(222.8)	(124.1)	—	(11.0)	—	**(357.9)**
Insurance claims net of XoL	(596.1)	(239.4)	—	(7.7)	—	**(843.2)**
Quota share reinsurance result	(1.0)	(4.7)	—	(2.0)	—	**(7.7)**
Net movement in onerous loss component	(3.2)	(0.9)	—	—	—	**(4.1)**
Underwriting result	**193.4**	**(18.4)**	—	**(7.4)**	—	**167.6**
Net investment income [2]	7.4	(0.1)	—	—	(0.8)	**6.5**
Net interest income from financial services	—	—	19.9	—	0.8	**20.7**
Net other revenue and operating	89.7	1.6	(19.7)	(3.9)	—	**67.7**

	UK Insurance £m	Int. Insurance £m	Admiral Money £m	Other £m	Eliminations*3 £m	Total £m
expenses						
Segment profit/(loss) before tax*4	**290.5**	**(16.9)**	**0.2**	**(11.3)**	**—**	**262.5**
Other central revenue and expenses, including share scheme charges*4						(40.2)
Investment and interest income						8.0
Finance costs						(5.7)
Consolidated profit before tax						**224.6**
Taxation expense						(42.9)
Consolidated profit after tax						**181.7**

Revenue and results for the corresponding reportable segments for the year ended 31 December 2022 are shown below.

	Year ended 31 December 2022 (restated, unaudited)					
	UK Insurance £m	**Int. Insurance £m**	**Admiral Money £m**	**Other £m**	**Eliminations*3 £m**	**Total £m**
Turnover*1	2,784.3	795.9	59.0	41.7	(0.3)	**3,680.6**
Insurance revenue net of XoL	2,115.7	732.0	—	31.3	—	**2,879.0**
Insurance services expenses	(475.7)	(254.6)	—	(24.8)	—	**(755.1)**
Insurance claims net of XoL	(1,466.6)	(547.1)	—	(17.5)	—	**(2,031.2)**
Quota share reinsurance result	104.5	13.9	—	(1.0)	—	**117.4**
Net movement in onerous loss component	5.1	(1.0)	—	—	—	**4.1**
Underwriting result	**283.0**	**(56.8)**	—	**(12.0)**	—	**214.2**
Net investment income *2	18.6	1.1	—	0.1	(2.2)	**17.6**
Net interest income from financial services	—	—	44.6	—	1.5	**46.1**
Net other revenue and operating expenses	208.1	(0.5)	(42.5)	(5.6)	—	**159.5**
Segment profit/(loss) before tax*4	**509.7**	**(56.2)**	**2.1**	**(17.5)**	**(0.7)**	**437.4**

Other central revenue and expenses, including share scheme charges*4	(74.9)
Investment and interest income	10.1
Finance costs	(11.4)
Consolidated profit before tax	**361.2**
Taxation expense	(75.9)
Consolidated profit after tax	**285.3**

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations. Refer to the glossary and note 13 for further information.
*2 Net Investment income is reported net of impairment of financial assets, in line with management reporting.
*3 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest charges related to the UK Insurance and Admiral Money segment.
*4 Segment results are presented net of gross share scheme charges, and any quota share reinsurance recoveries; these net share scheme charges are presented within "Other central revenue and expenses, including share scheme charges" in line with internal management reporting.

5. Insurance Service result (unaudited)

5a. *Insurance and reinsurance contracts accounting treatment*

5a (i) Insurance revenue

IFRS 17 does not require separate insurance revenue analysis for insurance contracts measured under PAA. However, the Group has disaggregated the insurance revenue recognised into its component parts, described here.

Insurance premium revenue

Insurance premium revenue reflects the expected premium receipts allocated to the period based on the passage of time, adjusted for seasonality if required. It excludes any additional income that arises from the writing of the insurance contract that is presented as part of insurance revenue as set out below.

- **Instalment income**

In contrast to IFRS 4, instalment income related to the risk attaching part of the premium that is retained within the Group is recognised as part of the insurance revenue cash flows due to it being considered non-distinct from the underlying insurance policy, as set out in note 3 to the financial statements.

- **Administration Fees**

Administration fees are costs charged to the customer for arranging a change to their policy. The performance obligation is the change in a customer's policy and given that the obligation related to activities that are required to fulfil the insurance contract and the policyholder cannot benefit from the service by itself, it is considered as part of fulfilment cash flows, i.e., the full transaction price is therefore recognised as part of insurance revenue on a point in time basis.

As stated in note 3, the Group has excluded any administration fees derived from the proportion of insurance coverage under the co-insurance arrangements where the Group bears no risks.

5a (ii) Insurance service expenses

The following elements are included in insurance service expenses:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses, including administration and acquisition expenses, and share scheme expenses that are attributable to insurance services;
- changes that relate to past service (i.e. changes in the fulfilment cashflows relating to the Liability for Remaining Coverage); and
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Only items that reflect insurance service expenses (i.e. incurred claims and other insurance service expenses arising from insurance contracts the Group issues) are reported as insurance expenses. Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

The gross costs incurred in relation to the co-insurance share of insurance business are presented within other operating expenses, as is the reimbursement of these costs, given that they are not related to the costs directly attributable to fulfilling the Group's insurance contracts.

5a (iii) Reinsurance net expense/income

The Group has presented the income or expenses from a group of reinsurance contracts held separately from insurance finance income or expenses as a single amount and has provided in the disclosure note a separate analysis of the amounts recovered from the reinsurer and an allocation of the premiums paid that together give a net amount equal to that single amount.

As part of its quota share arrangements, the Group typically recovers either a set ceding commission, or the quota share reinsurer's proportional share of the expenses that are incurred in fulfilling the insurance contracts.

There amounts are typically settled net with the premium charged and are not contingent on claims. As a result, under IFRS 17 the expenses and ceding commissions recovered are considered to reflect a reduction in the transaction price equivalent to charging a lower premium (with no corresponding ceding commission or expense recovery).

In addition, as set out in note 3 to these financial statements, where the reinsurance arrangements result in a "minimum recovery" from the reinsurer due to profit commission or sliding scale commission arrangements that is not contingent on claims, and is not settled "net" with premium, the minimum recovery is treated as a non-distinct investment component.

As a result, the Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held, and excludes investment components and commissions from an allocation of reinsurance premiums presented in the notes to the financial statements.

5a (iv) Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. the effect of the time value of money and changes in the time value of money; and
b. the effect of financial risk and changes in financial risk.

The Group disaggregates insurance finance income or expenses on insurance contracts issued between the

Consolidated Income Statement and the Consolidated Statement of Other Comprehensive Income. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in Other Comprehensive Income in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Group's financial assets backing the insurance portfolios are predominantly measured Fair Value through Other Comprehensive Income ('FVOCI').

5a (v) Insurance contracts: Liability for remaining coverage

Initial measurement

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition; and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

The Group recognises any insurance premium tax collected in relation to the premiums received as part of the premium receipts, but given it is acting as an agent, these taxes are not included as either insurance revenue or an insurance expense. Any outstanding insurance premium tax liability is presented within the liability for remaining coverage until paid.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the onerous contracts are separately grouped from other contracts and a loss is recognised in the Consolidated Income Statement for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as

- the liability for remaining coverage at the beginning of the period; plus
- Premiums received in the period; minus
- The amount recognised as insurance revenue for the services provided in the period; minus
- Payments to the tax authorities in respect of premium receipts

The onerous loss component is re-measured over the coverage period so that at the end of the coverage period, it is reduced to £Nil.

5a (vi) Insurance contracts: Liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims, including any creditors related to directly attributable insurance expenses. The liability for incurred claims also includes an explicit adjustment for non-financial risk (the risk adjustment).

5a (vii) Reinsurance contracts held

Initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses. The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group of insurance contracts covered by the reinsurance contracts held, in the case that there is partial coverage of underlying insurance contracts by reinsurance contracts. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer and is calculated with reference to the gross risk adjustment, adjusted for any excess of loss risk adjustment, as required.

Subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features and terms and conditions of the reinsurance contracts held.

Where the Group has established a loss-recovery component, the Group subsequently reduces the loss recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

The extinguishment or commutation of a reinsurance arrangement results in a derecognition of any insurance assets or liabilities related to the commuted contract from the balance sheet, so that the Group retains the full future risk of claims development. As a result of commutation, any difference arising between the present carrying value of reinsurance assets or liabilities and the cash settlement is recognised in the Consolidated Income Statement.

5b. Insurance revenue

Insurance revenue for the corresponding reportable segments for the period ended 30 June 2023 are shown below.

			30 June 2023 (unaudited)		
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Insurance premium revenue	961.2	130.7	377.1	46.5	**1,515.5**
Other revenue classed as insurance revenue					
Instalment income	40.4	4.0	3.3	—	**47.7**
Administration fees and non-separable ancillary	18.4	1.5			

commission			23.3	0.6	**43.8**
Total other revenue classed as insurance revenue	58.8	5.5	26.6	0.6	**91.5**
Insurance revenue related movement in liability for remaining coverage	1,020.0	136.2	403.7	47.1	**1,607.0**

Insurance revenue for the corresponding reportable segments for the period ended 30 June 2022 are shown below.

	30 June 2022 (restated, unaudited)				
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Insurance premium revenue	865.5	107.7	329.1	25.3	**1,327.6**
Other revenue classed as insurance revenue					
Instalment income	36.4	2.5	3.9	—	**42.8**
Administration fees and non-separable ancillary commission	19.5	1.3	22.4	0.2	**43.4**
Total other revenue classed as insurance revenue	55.9	3.8	26.3	0.2	**86.2**
Insurance revenue related movement in liability for remaining coverage	921.4	111.5	355.4	25.5	**1,413.8**

Insurance revenue for the corresponding reportable segments for the period ended 31 December 2022 are shown below.

	31 December 2022 (restated, unaudited)				
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Insurance premium revenue	1,795.7	228.5	694.6	63.3	**2,782.1**
Other revenue classed as insurance revenue					
Instalment income	75.3	5.4	7.6	—	**88.3**
Administration fees and non-separable ancillary commission	38.7	2.9	44.4	0.5	**86.5**
Total other revenue classed as insurance revenue	**114.0**	**8.3**	**52.0**	**0.5**	**174.8**
Insurance revenue related movement in liability for remaining coverage	**1,909.7**	**236.8**	**746.6**	**63.8**	**2,956.9**

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compañia Seguros ('AECS') and Elephant Insurance Company. The vast majority of contracts are short term in duration, lasting for between 6 and 12 months.

5c. Insurance service expenses

Insurance services expenses for the corresponding reportable segments for the period ended 30 June 2023 are shown below.

	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
					30 June 2023 (unaudited)
Incurred claims					
Claims incurred in the period	851.1	94.9	286.3	31.0	**1,263.3**
Changes to liabilities for incurred claims	(249.1)	(3.9)	(5.8)	3.0	**(255.8)**
Total incurred claims	602.0	91.0	280.5	34.0	**1,007.5**
Movement in onerous contracts	(3.4)	—	(1.5)	—	**(4.9)**
Directly attributable expenses					
Administration expenses	189.6	28.4	87.2	17.2	**322.4**
Acquisition expenses	30.9	10.3	35.3	12.8	**89.3**
Share scheme expenses	17.9	1.6	3.6	0.3	**23.4**
Total insurance expenses	238.4	40.3	126.1	30.3	**435.1**
Total Insurance service expenses	837.0	131.3	405.1	64.3	**1,437.7**

Insurance services expenses for the corresponding reportable segments for the period ended 30 June 2022 are shown below.

	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
					30 June 2022 (restated, unaudited)
Incurred claims					
Claims incurred in the period	738.5	67.0	222.4	16.2	**1,044.1**
Changes to liabilities for incurred claims	(211.7)	(9.2)	24.3	0.1	**(196.5)**
Total incurred claims	526.8	57.8	246.7	16.3	**847.6**
Movement in onerous contracts	21.2	0.7	7.0	—	**28.9**
Directly attributable expenses					
Administration expenses	149.1	23.1	82.9	10.8	**265.9**
Acquisition expenses	34.6	9.2	38.7	9.5	**92.0**
Share scheme expenses	19.8	2.3	4.9	—	**27.0**
Total insurance expenses	203.5	34.6	126.5	20.3	**384.9**
Total Insurance service expenses	751.5	93.1	380.2	36.6	**1,261.4**

Insurance services expenses for the corresponding reportable segments for the period ended 31 December 2022 are shown below.

	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
					31 December 2022 (restated, unaudited)
Incurred claims					

Claims incurred in the period	1,620.4	198.1	514.7	39.1	**2,372.3**
Changes to liabilities for incurred claims	(437.2)	(16.5)	36.2	(3.0)	**(420.5)**
Total incurred claims	1,183.2	181.6	550.9	36.1	**1,951.8**
Movement in onerous contracts	(19.1)	0.4	(3.9)	—	**(22.6)**
Directly attributable expenses					
Administration expenses	327.7	51.5	178.6	23.0	**580.8**
Acquisition expenses	61.9	18.6	70.8	22.9	**174.2**
Share scheme expenses	39.4	4.2	9.4	—	**53.0**
Total insurance expenses	429.0	74.3	258.8	45.9	**808.0**
Total Insurance service expenses	1,593.1	256.3	805.8	82.0	**2,737.2**

5d. Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held for the corresponding reportable segments for the period ended 30 June 2023 are shown below.

	30 June 2023 (unaudited)				
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Allocation of reinsurance premiums	41.6	25.0	92.5	1.8	**160.9**
Amounts recoverable from reinsurers for incurred insurance service expenses					
Incurred claims	(120.1)	(20.3)	(129.3)	(0.3)	**(270.0)**
Changes to liabilities for incurred claims	81.4	(4.1)	44.1	0.8	**122.2**
Net expense from reinsurance contracts excluding movement in onerous loss component	2.9	0.6	7.3	2.3	**13.1**
Other reinsurance recoveries including movement in onerous loss component	3.0	—	0.7	—	**3.7**
Net expenses from reinsurance contracts held	5.9	0.6	8.0	2.3	**16.8**

Net expenses from reinsurance contracts held for the corresponding reportable segments for the period ended 30 June 2022 are shown below.

	30 June 2022 (restated, unaudited)				
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Allocation of reinsurance premiums	36.5	17.8	74.3	1.0	**129.6**
Amounts recoverable from reinsurers for incurred insurance service expenses					
Incurred claims	(83.7)	(1.9)	(124.7)	1.7	**(208.6)**
Changes to liabilities for incurred claims	51.0	4.2	48.9	—	**104.1**

Net expense from reinsurance contracts excluding movement in onerous loss component	**3.8**	**20.1**	**(1.5)**	**2.7**	**25.1**
Other reinsurance recoveries including movement in onerous loss component	(18.0)	(0.5)	(6.2)	—	**(24.7)**
Net (income)/expenses from reinsurance contracts held	**(14.2)**	**19.6**	**(7.7)**	**2.7**	**0.4**

Net expenses from reinsurance contracts held for the corresponding reportable segments for the period ended 31 December 2022 are shown below.

					31 December 2022 (restated, unaudited)
	UK Motor £m	UK Home £m	Int. Motor £m	Other £m	**Total Group £m**
Allocation of reinsurance premiums	69.8	44.4	160.8	1.9	**276.9**
Amounts recoverable from reinsurers for incurred insurance service expenses					
Incurred claims	(182.8)	(43.5)	(232.3)	(0.1)	**(458.7)**
Changes to liabilities for incurred claims	136.7	0.8	64.2	—	**201.7**
Net expense from reinsurance contracts excluding movement in onerous loss component	**23.7**	**1.7**	**(7.3)**	**1.8**	**19.9**
Other reinsurance recoveries including movement in onerous loss component	13.9	(0.3)	4.9	—	**18.5**
Net expenses/(income) from reinsurance contracts held	**37.6**	**1.4**	**(2.4)**	**1.8**	**38.4**

5e. Finance expenses/(income) from insurance/reinsurance contracts issued

	Unaudited	Restated, unaudited	
Amounts recognised through the income statement	**30 June 2023 £m**	30 June 2022 £m	31 December 2022 £m
Insurance finance expenses from insurance contracts issued	**47.4**	21.1	52.0
Finance expenses from insurance contracts issued	**47.4**	21.1	52.0
Insurance finance income from reinsurance contracts held	**(18.3)**	(6.1)	(13.6)
Finance income from reinsurance contracts issued	**(18.3)**	**(6.1)**	**(13.6)**
Net finance expense from insurance / reinsurance contracts issued	**29.1**	**15.0**	**38.4**

Amounts recognised in other comprehensive income			
Due to changes in discount rates – insurance contracts	**20.4**	181.1	274.0
Due to changes in discount rates – reinsurance contracts	**(4.0)**	(76.3)	(96.2)
Total gains recognised in other comprehensive income	**16.4**	104.8	177.8

5f. Sensitivity analysis

Sensitivity of recognised amounts to changes in assumptions
The following sensitivity analysis shows the impact on profit after tax for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non linear.

The sensitivities are shown for UK motor only, being the line of business where such sensitivities could have a material impact at a Group level.

£m	**30 June 2023 (unaudited)**
Ogden discount rate increase by 100 bps to +0.75%	+64.5
Ogden discount rate increase by 50 bps to +0.25%	+30.9
Ogden discount rate increase by 25 bps to 0.00%	+15.2
Ogden discount rate decrease by 25 bps to -0.50%	-16.6
Ogden discount rate decrease by 50 bps to -0.75%	-39.1
Ogden discount rate decrease by 100 bps to -1.25%	-96.7
Risk adjustment increase to 95th percentile	-25.8
Risk adjustment decrease to 90th percentile	+35.2
Risk adjustment decrease to 85th percentile	+61.0

UK Motor Claims – impact of a change in undiscounted loss ratio by underwriting year	2019	2020	2021	2022
Increase of 1%	(11.4)	(12.6)	(5.7)	(2.9)
Increase of 3%	(34.3)	(37.9)	(14.2)	(8.6)
Increase of 5%	(57.2)	(63.2)	(22.8)	(14.3)
Decrease of 1%	11.4	12.6	6.1	2.9
Decrease of 3%	34.1	37.9	18.3	8.6
Decrease of 5%	55.0	62.1	37.1	14.3

The table below shows the development of UK Car Insurance loss ratios for the past six financial periods, presented on an underwriting year basis, both using undiscounted amounts (i.e. cashflows) and discounted amounts.

	31 December						**30 June**
UK Motor Insurance loss ratio development–-undiscounted	2017*	2018*	2019*	2020*	2021	2022	**2023**
Underwriting year							
2017	87%	83%	72%	68%	64%	63%	**61%**
2018	—	92%	82%	77%	73%	68%	**67%**
2019	—	—	97%	77%	73%	71%	**68%**
2020	—	—	—	74%	68%	65%	**62%**
2021	—	—	—	—	95%	91%	**87%**
2022	—	—	—	—	—	104%	**100%**
2023	—	—	—	—	—	—	**92%**

**Booked loss ratios presented for financial years prior to the opening balance sheet date of 1 January 2022 are estimated based on applying a similar pattern of risk adjustment to prior year undiscounted best estimates. These are provided for guidance only*

	31 December		**30 June 2023**
UK Motor Insurance loss ratio development – discounted*	2021	2022	**2023**
Underwriting year			
2017	63%	61%	**60%**
2018	71%	67%	**66%**
2019	71%	69%	**67%**
2020	67%	63%	**61%**
2021	92%	86%	**82%**
2022	—	97%	**93%**
2023	—	—	**85%**

** Loss ratios using discounted locked-in curves are presented from the transition date of IFRS 17 (1 January 2022) onwards*

5g. Insurance liabilities and reinsurance assets

(i) Analysis of recognised amounts

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Gross			
Liability for incurred claims	**3,126.9**	3,036.0	3,173.7
Liability for remaining coverage	**1,012.8**	891.0	851.7
Total insurance contract liabilities	**4,139.7**	**3,927.0**	**4,025.4**

Recoverable from reinsurers			
Asset for incurred claims	**1,100.4**	933.2	994.2
Asset for remaining coverage	**13.0**	32.1	21.2
Total reinsurance contract assets	**1,113.4**	**965.3**	**1,015.4**

iii. ***Analysis of the liability/asset for incurred claims***

Summary of liabilities for incurred claims

	30 June 2023 (unaudited)		
	Estimates of the present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
UK Motor claims reserves	**1,882.2**	**353.9**	**2,236.1**
UK Household claims reserves	**150.0**	**17.9**	**167.9**
International claims reserves	**489.2**	**74.9**	**564.1**
Other claims reserves	**41.5**	**8.2**	**49.7**
Total claims reserves	**2,562.9**	**454.9**	**3,017.8**
Liabilities for other directly attributable expenses			**109.1**
Liability for incurred claims			**3,126.9**

Summary of assets for incurred claims

	30 June 2023 (unaudited)		
	Estimates of the present value of future cash flows	Risk adjustment	Total
	£m	£m	£m
UK Motor claims reserves	**296.1**	**170.2**	**466.3**
UK Household claims reserves	**138.9**	**11.1**	**150.0**
International claims reserves	**446.8**	**38.2**	**485.0**
Other claims reserves	**(1.1)**	**0.2**	**(0.9)**
Asset for incurred claims	**880.7**	**219.7**	**1,100.4**

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 94th percentile (FY 2022 and HY 2022: 95th percentile). That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 94th percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

	30 June 2022 (restated, unaudited)		
	Estimates of the present	Risk adjustment	Total

Liability for incurred claims	value of future cash flows £m	£m	£m
UK Motor claims reserves	1,835.6	480.4	2,316.0
UK Household claims reserves	74.4	13.2	87.6
International claims reserves	455.0	47.9	502.9
Other claims reserves	20.3	6.6	26.9
Total claims reserves	2,385.3	548.1	2,933.4
Liabilities for other directly attributable expenses			102.6
Liability for incurred claims			3,036.0

	30 June 2022 (restated, unaudited)		
Asset for incurred claims	Estimates of the present value of future cash flows £m	Risk adjustment £m	Total £m
UK Motor claims reserves	236.4	200.7	437.1
UK Household claims reserves	85.6	(2.0)	83.6
International claims reserves	393.0	19.5	412.5
Other claims reserves	—	—	—
Asset for incurred claims	715.0	218.2	933.2

	31 December 2022 (restated, unaudited)		
Liability for incurred claims	Estimates of the present value of future cash flows £m	Risk adjustment £m	Total £m
UK Motor claims reserves	1,896.7	423.9	2,320.6
UK Household claims reserves	130.9	24.0	154.9
International claims reserves	490.2	76.0	566.2
Other claims reserves	24.7	7.8	32.5
Total claims reserves	2,542.5	531.7	3,074.2
Liabilities for other directly attributable expenses			99.5
Liability for incurred claims			3,173.7

	31 December 2022 (restated, unaudited)		
Asset for incurred claims	Estimates of the present value of future cash flows £m	Risk adjustment £m	Total £m
UK Motor claims reserves	254.5	175.9	430.4
UK Household claims reserves	98.6	16.1	114.7
International claims reserves	411.8	37.3	449.1
Other claims reserves	—	—	—

Asset for incurred claims	**764.9**	**229.3**	**994.2**

The following rates were used to discount the liability for incurred claims:

	30 June 2023 (unaudited)				**30 June 2022 (restated, unaudited)**				**31 December 2022 (restated, unaudited)**			
	1 year	**3 years**	**5 years**	**10 years**	**1 year**	**3 years**	**5 years**	**10 years**	**1 year**	**3 years**	**5 years**	**10 years**
UK motor insurance	6.7%	6.3%	5.7%	4.9%	3.1%	3.3%	3.2%	3.2%	5.1%	5.0%	4.7%	4.4%

The maturity profile for the liability for incurred claims for UK motor is as follows:

Liability for incurred claims (undiscounted)	<1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	>5 years £m
As at 30 June 2023 (unaudited)	632.3	362.3	276.1	223.7	171.5	710.8
As at 30 June 2022 (restated, unaudited)	506.2	321.8	274.9	209.4	155.1	647.5
As at 31 December 2022 (restated, unaudited)	609.5	353.8	289.4	223.1	161.5	679.4

(iii) Analysis of the liability for incurred claims (gross)

Estimate of undiscounted gross cumulative claims (UK Motor Insurance)

	Restated, unaudited											
	2012 & prior	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At 31 December 2022		**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At end of year one		***307***	***382***	***394***	***436***	***552***	***686***	***701***	***552***	***688***	***845***	
At end of year two		***569***	***675***	***701***	***829***	***1,144***	***1,175***	***1,067***	***985***	***1,326***		
At end of year three		***565***	***659***	***707***	***788***	***994***	***1,109***	***1,010***	***954***			
At end of year four		***575***	***689***	***680***	***727***	***947***	***1,064***	***996***				
At end of year five		***600***	***643***	***636***	***713***	***912***	***1,008***					
At end of year six		***578***	***635***	***619***	***690***	***890***						
At end of year seven		***562***	***619***	***606***	***656***							
At end of year either		***555***	***604***	***594***								

	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of year nine		*536*	*593*									
Nine years later		*535*										
Total undiscounted incurred claims YE 2022		*535*	*593*	*594*	*656*	*890*	*1,008*	*996*	*954*	*1,326*	*845*	
Cumulative gross claims paid		*(515)*	*(576)*	*(564)*	*(608)*	*(768)*	*(825)*	*(725)*	*(605)*	*(721)*	*(304)*	
Gross undiscounted best estimate liabilities	*131*	*20*	*17*	*30*	*48*	*122*	*183*	*271*	*349*	*605*	*541*	*2,317*
Risk adjustment (undiscounted)	*3*	*2*	*2*	*5*	*11*	*34*	*51*	*71*	*97*	*126*	*110*	*512*
Effect of discounting	*(60)*	*(3)*	*(3)*	*(8)*	*(13)*	*(31)*	*(46)*	*(64)*	*(77)*	*(124)*	*(85)*	*(514)*
Gross discounted best estimate liabilities for incurred claims*	*74*	*19*	*16*	*27*	*46*	*125*	*188*	*278*	*369*	*607*	*566*	*2,315*
Ancillary claims												*6*
Total liabilities for incurred claims												*2,321*
Discounting within finance reserve*	*3*	*-*	*(1)*	*(2)*	*(5)*	*(12)*	*(20)*	*(39)*	*(51)*	*(58)*	*(21)*	*(206)*

(iv) Analysis of claims incurred (net)

Analysis of the liability incurred claims (net of excess of loss)

Estimate of undiscounted gross cumulative claims (UK Motor Insurance)

	Restated, unaudited											
	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At 31 December 2022		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At end of year one		*302*	*373*	*378*	*427*	*510*	*646*	*675*	*520*	*661*	*825*	
At end of year two		*560*	*659*	*682*	*783*	*1,053*	*1,123*	*1,033*	*949*	*1,292*		

At end of year three		*556*	*644*	*667*	*743*	*917*	*1,053*	*986*	*927*			
At end of year four		*563*	*659*	*637*	*692*	*883*	*1,024*	*969*				
At end of year five		*584*	*623*	*607*	*677*	*860*	*974*					
At end of year six		*560*	*619*	*599*	*663*	*840*						
At end of year seven		*552*	*606*	*586*	*640*							
At end of year either		*546*	*597*	*579*								
At end of year nine		*529*	*589*									
Nine years later		*529*										
Total undiscounted incurred claims YE 2022		*529*	*589*	*579*	*640*	*840*	*974*	*969*	*927*	*1,292*	*825*	
Cumulative gross claims paid		*(511)*	*(574)*	*(557)*	*(608)*	*(755)*	*(825)*	*(725)*	*(605)*	*(721)*	*(305)*	
Gross undiscounted best estimate liabilities	*95*	*18*	*15*	*22*	*32*	*85*	*149*	*244*	*322*	*571*	*520*	*2,073*
Risk adjustment (undiscounted)	*2*	*1*	*1*	*1*	*4*	*19*	*35*	*63*	*87*	*113*	*100*	*426*
Effect of discounting	*(46)*	*(2)*	*(2)*	*(6)*	*(7)*	*(17)*	*(27)*	*(51)*	*(64)*	*(105)*	*(72)*	*(399)*
Gross discounted best estimate liabilities for incurred claims	*51*	*17*	*14*	*17*	*29*	*87*	*157*	*256*	*345*	*579*	*548*	*2,100*
Ancillary claims												*6*
Total liabilities for incurred claims												*2,106*
Discounting within finance reserve*	*2*	*-*	*(1)*	*(2)*	*(2)*	*(7)*	*(13)*	*(32)*	*(43)*	*(51)*	*(20)*	*(169)*

(v) Analysis of claims incurred (net)

Analysis of the asset for incurred claims (quota share))

Estimate of undiscounted quota share cumulative claims (UK Motor Insurance)

	Restated, unaudited						
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
At 31 December 2022	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At end of year one	*17*	*21*	*49*	—	*4*	*63*	
At end of year two	*36*	*37*	—	—	*33*		
At end of year three	*31*	*35*	—	—			
At end of year four	*30*	*34*	—				
At end of year five	*29*	*33*					
At end of year six	*29*						
Total undiscounted incurred claims YE 2022	*29*	*33*	—	—	*33*	*63*	
Cumulative gross claims recovered	*(25)*	*(28)*	—	—	—	—	
Gross undiscounted best estimate liabilities	*4*	*5*	—	—	*33*	*63*	*105*
Risk adjustment (undiscounted)	*1*	*1*	—	—	*73*	*78*	*153*
Profit commission	*9*	*6*	—	—	*-*	*-*	*15*
Effect of discounting	*(1)*	*(1)*	—	—	*(22)*	*(34)*	*(58)*
Gross discounted quota share asset for incurred claims	*13*	*11*	—	—	*84*	*107*	*215*
Discounting within finance reserve	—	*4*	—	—	*8*	*11*	*23*

6. Investment income and finance costs (unaudited)

6a. Investment return

	Unaudited	Restated, unaudited	
	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Investment return			
On assets classified as FVTPL	20.7	(2.6)	8.4
On debt securities classified as FVOCI*2	34.1	29.2	52.6
On assets classified as amortised cost	2.1	0.9	2.0

Net unrealised losses			
Unrealised gains/(losses) on forward contracts	(0.2)	0.4	0.5
Share of associate profit/loss	(0.2)	—	(0.1)
Interest receivable on cash and cash equivalents	1.5	0.3	1.2
Total investment and interest income[*1]	**58.0**	**28.2**	**64.6**

*1 Total investment return excludes £1.6million of intra-group interest (30 June 2022: £0.8million, 31 December 2022: £2.2 million)
*2 Realised gains/losses on sales of debt securities classified as FVOCI are immaterial

6b. Financial assets and liabilities

The Group's financial instruments can be analysed as follows:

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Financial investments measured at FVTPL			
Money market funds	**464.7**	663.9	706.5
Other funds	**195.1**	183.0	188.8
Derivative financial instruments	**43.6**	15.3	33.0
Equity investments (designated FVTPL)	**9.7**	4.0	6.4
Investment in Associate	**2.2**	—	2.4
	715.3	866.2	937.1
Financial investments classified as FVOCI			
Corporate debt securities	**1,866.9**	1,857.4	1,701.2
Government debt securities	**646.2**	460.3	479.8
Private debt securities	**224.5**	119.6	166.6
	2,737.6	2,437.3	2,347.6
Equity investments (designated FVOCI)	**24.7**	24.3	25.1
	2,762.3	2,461.6	2,372.7
Financial assets measured at amortised cost			
Deposits with credit institutions	**105.8**	65.9	101.4
Total financial investments	**3,583.4**	3,393.7	3,411.2

Other financial assets			
Insurance receivables*1	**225.0**	197.0	187.6
Trade and other receivables (measured at amortised cost) *1	**92.4**	94.1	87.6
Insurance and other receivables	**317.4**	291.1	275.2
Loans and advances to customers (note 7)	**961.1**	733.1	823.9
Cash and cash equivalents	**462.7**	506.6	297.0
Total financial assets	**5,324.6**	4,924.5	4,807.3
Financial liabilities			
Subordinated notes*2	**204.4**	204.4	204.4
Loan backed securities	**857.7**	638.2	714.7
Other borrowings	**125.0**	35.0	20.0
Derivative financial instruments	**0.2**	9.8	—
Subordinated and other financial liabilities	**1,187.3**	887.4	939.1
Trade and other payables	**480.3**	246.1	254.9
Lease liabilities	**83.2**	93.0	88.5
Total financial liabilities	**1,750.8**	1,226.5	1,282.5

**1 The amortised cost carrying amount of receivables is a reasonable approximation of fair value.*
**2 The fair value of subordinated notes (level one valuation) at 30 June 2023 is £196.9 million (30 June 2022: £201.1 million, 31 December 2022: £196.4 million).*

The table below shows how the financial assets held at fair value have been measured using the fair value hierarchy:

	30 June 2023 (unaudited)		30 June 2022		31 December 2022	
	FVTPL £m	**FVOCI £m**	FVTPL £m	FVOCI £m	FVTPL £m	FVOCI £m
Level one (quoted prices in active markets)	**659.7**	**2,513.1**	862.2	2,317.7	900.2	2,180.9
Level two (use of observable inputs)	**43.6**	—	—	—	28.1	—
Level three (use of significant unobservable inputs)	**9.8**	**249.2**	4.0	143.9	6.4	191.8
Total*1	**713.1**	**2,762.3**	866.2	2,461.6	934.7	2,372.7

*1 There were no transfers between fair value hierarchy levels in the reporting period

The majority of investments held at fair value through profit and loss at the end of the period are invested in funds; mainly money market funds. The measurement of investments at the end of the period, for the majority investments held at fair value, is based on active quoted market values (level one).

Level three investments consist of private debt securities and equity investments. Private debt securities are comprised primarily of investments in debt funds which are valued at the proportion of the Group's holding of the Net Asset Value (NAV) reported by the investment vehicle. In addition, there is a small allocation of privately placed bonds which do not trade on active markets, these are valued using discounted cash-flow models designed to appropriately reflect the credit and illiquidity of these instruments. The key unobservable input across private debt securities is the discount rate which is based on the credit performance of the assets.

Equity securities are comprised of investments in private equity and Infrastructure equity funds, which are valued at the proportion of the Group's holding of the NAV reported by the investment vehicle. These are based on several unobservable inputs including market multiples and cash flow forecasts.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

The table below presents the movement in the period relating to financial instruments valued using a level three valuation:

Level Three Investments	Unaudited **30 June 2023** **£m**	30 June 2022 £m	31 December 2022 £m
Balance as at 1 January	**198.2**	147.0	147.0
Gains recognised in the Income Statement	**1.2**	2.2	5.7
(Losses)/gains recognised in Other Comprehensive Income	**(0.1)**	(1.9)	(8.5)
Purchases	**67.4**	14.1	83.8
Disposals	**(7.6)**	(14.8)	(30.1)
Translation differences	**(0.1)**	1.3	0.3
Balance as at 30 June/ 31 December	**259.0**	147.9	198.2

7. Loans and Advances to Customers (unaudited)

	Unaudited **30 June 2023** **£m**	30 June 2022 £m	31 December 2022 £m
Loans and advances to customers – gross carrying amount	1,033.9	786.6	887.6
Loans and advances to customers – provision	(74.6)	(53.5)	(63.7)
Total loans and advances to customers – Admiral Money	959.3	733.1	823.9
Total loans and advances to customers – Other	1.8	—	—
Total loans and advances to customers	961.1	733.1	823.9

Loans and advances to customers are comprised of the following:

	Unaudited **30 June 2023** **£m**	30 June 2022 £m	31 December 2022 £m
Unsecured personal loans	1,008.3	750.3	856.0
Finance leases	25.6	36.3	31.6
Other	1.9	—	—
Total loans and advances to customers, gross	1,035.8	786.6	887.6

The table below shows the gross carrying value of loans in stages 1 – 3.

	Gross carrying amount £m	Expected credit loss allowance £m	Other loss allowance*1 £m	Unaudited **30 June 2023** **Carrying amount** **£m**	30 June 2022 Carrying amount £m	31 December 2022 Carrying amount £m
Stage 1	845.8	(15.7)	(0.6)	**829.5**	640.7	714.4
Stage 2	143.9	(25.7)	—	**118.2**	86.7	101.7
Stage 3	44.2	(32.6)	—	**11.6**	5.7	7.8
Total – Admiral Money	1,033.9	(74.0)	(0.6)	**959.3**	733. 1	823.9

Total – Other	**1.8**	—	—
Total loans and advances to customers	**961.1**	733.1	823.9

*1 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles and those as a result of changes in the performance of the EIR asset.

Forward-looking information (unaudited)

Forecasts of macroeconomic variables and associated probability weightings of several scenarios are procured from an independent external provider. These scenarios represent a range of outcomes, with both potential upside and downside included to provide a blended view that represents managements best estimate of the expected outcome.

The sole economic driver of the losses from the scenarios is the likelihood of a customer entering hardship through unemployment. The scenario weighting assumptions and unemployment rates used are detailed below:

	Scenario Probability Weighting 30 June 2023	Scenario Probability Weighting 30 June 2022	Scenario Probability Weighting 31 December 2022	**Peak Unemployment rate % 30 June 2023**	Peak Unemployment rate % 30 June 2022	Peak Unemployment rate % 31 December 2022
Base	**40%**	40%	40%	**4.7**	4.1	4.8
Upturn	**10%**	10%	10%	**3.7**	3.5	3.5
Downturn	**40%**	40%	40%	**6.0**	6.1	6.0
Severe	**10%**	10%	10%	**8.0**	8.2	7.9

Sensitivities to key areas of estimation uncertainty (unaudited)

	30 June 2023	**Sensitivity (£m)**	30 June 2022	Sensitivity (£m)	31 December 2022	Sensitivity (£m)
Base	**40%**	**(1.8)**	40%	(3.6)	40%	(1.3)
Upturn	**10%**	**(6.6)**	10%	(6.7)	10%	(6.9)
Downturn	**40%**	**1.5**	40%	2.6	40%	1.4
Severe	**10%**	**7.1**	10%	9.1	10%	5.7

The sensitivities in the above tables show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on.

Post Model Adjustments (PMAs)

Post Model Adjustments	**30 June 2023 (£m)**	30 June 2022 (£m)	31 December 2022 (£m)
Model Performance	**4.1**	2.0	3.9
Inflation	**4.5**	9.4	4.0
Economic Scenarios	—	0.8	0.9
Mortgage contagion	**4.0**	—	2.5
	12.6	12.2	11.3

Model performance

The model has been calibrated on historical data that may not fully reflect the risk of losses in the recent and ongoing highly volatile macro-economic period. For this reason a Model Performance PMA has been made. It effectively recalibrates the modelled probability of default of the loans to reflect recent monitored performance.

Inflation

This PMA has been updated to reflect the wider cost of living crisis. The impairment models operated are currently not highly sensitive to inflation expectations, but inflation could alter the ability of some customers to make their loan payments. A PMA has been held to acknowledge this.

Economic scenarios
An uncertainty factor determined by management judgement was previously added to reflect the volatility in unemployment forecasts observed during and after the COVID pandemic. This factor has been reduced over time as variability between successive forecasts has fallen, and has now been unwound entirely.

Mortgage contagion
Captures the risk that as mortgage rates rise, customers may experience payment shocks when their standard variable or fixed term mortgages come to an end, and may have to prioritise mortgage payments over other debts.

Credit grade information
Credit grade is the internal credit banding given to a customer at origination and is based on external credit rating information. The credit grading as at 30 June 2023 is as follows:

				30 June 2023	30 June 2022	31 December 2022
	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	**Total £m**	Total £m	Total £m
Credit Grade						
Higher	604.2	107.6	—	**711.8**	537.8	600.4
Medium	192.7	27.9	—	**220.6**	179.0	200.0
Lower	48.9	8.4	—	**57.3**	42.8	53.2
Credit Impaired	—	—	44.2	**44.2**	27.0	34.0
Gross carrying amount – Admiral Money	845.8	143.9	44.2	**1,033.9**	786.6	887.6
Gross carrying amount – Other				**1.9**	—	—
Gross carrying amount				**1,035.8**	786.6	887.6

8. Other revenue and co-insurer profit commission (unaudited)

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £108.6 million (H1 2022: £118.4 million, FY 2022: £256.4 million) represents total other revenue and co-insurer profit commission and is disaggregated into the segments included in note 4.

	30 June 2023 (unaudited)				
	UK Insurance £m	International Insurance £m	Admiral Money £m	Other £m	**Total £m**
Major products/service line					
Fee and commission revenue	51.3	—	0.1	—	51.4
Revenue from law firm	10.8	—	—	—	10.8
Comparison income	—	—	—	1.6	1.6
Total other revenue	62.1	—	0.1	1.6	63.8

Profit commission from co-insurers	44.8	—	—	—	44.8
Total other revenue and co-insurer profit commission	106.9	—	0.1	1.6	108.6
Timing of revenue recognition					
Point in time	86.4	—	0.1	1.6	88.1
Over time	11.7	—	—	—	11.7
Revenue outside the scope of IFRS 15	8.8	—	—	—	8.8
	106.9	—	0.1	1.6	108.6

	30 June 2022 (restated, unaudited)				
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	**Total £m**
Major products/service line					
Fee and commission revenue	52.3	—	0.1	0.2	52.6
Law firm revenue	8.0	—	—	—	8.0
Comparison income	—	—	—	4.0	4.0
Total other revenue	60.3	—	0.1	4.2	64.6
Profit commission from co-insurers	53.8	—	-	-	53.8
Total other revenue and co-insurer profit commission	114.1	—	0.1	4.2	118.4
Timing of revenue recognition					
Point in time	92.9	—	0.1	4.2	97.2
Over time	9.1	—	—	—	9.1
Revenue outside the scope of IFRS 15	12.1	—	—	—	12.1
	114.1	—	0.1	4.2	118.4

	31 December 2022 (restated, unaudited)				
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	**Total £m**
Major products/service line					
Fee and commission revenue	104.3	—	0.3	0.2	104.8

Law firm revenue	15.8	—	—	—	15.8
Comparison income	—	—	—	8.3	8.3
Total other revenue	120.1	—	0.3	8.5	128.9
Profit commission from co-insurers	127.5	—	—	—	127.5
Total other revenue and co-insurer profit commission	247.6	—	0.3	8.5	256.4
Timing of revenue recognition					
Point in time	209.0	—	0.3	8.5	217.8
Over time	17.8	—	—	—	17.8
Revenue outside the scope of IFRS 15	20.8	—	—	—	20.8
	247.6	—	0.3	8.5	256.4

Profit commission analysis

	Unaudited	Restated, unaudited	
	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Underwriting year			
2017 & prior	**14.1**	23.0	53.3
2018	**6.1**	13.9	32.7
2019	**13.2**	7.3	19.9
2020	**13.2**	9.6	24.5
2021	—	—	—
2022	—	—	(2.9)
2023	**(1.8)**	—	—
Total UK motor profit commission	**44.8**	53.8	127.5

During the period, there has been a change in accounting estimate in relation to the calculation of profit commission from co-insurers within the scope of IFRS 15. The underwriting year loss ratio inputs to the calculation were previously based on IFRS 4 financial statement loss ratios in line with the Group’s insurance accounting. The transition from IFRS 4 to IFRS 17 has resulted in a change to the underwriting year loss ratio inputs to the calculation, such that the new basis of estimation results in movements in profit commission from co-insurers that are aligned to the development of IFRS 17 loss ratios, including risk adjustment. The impact of the change in estimation basis in the period and in the future is not expected to have a material impact on the Group's financial statements.

9. Directly attributable and other expenses (unaudited)

	30 June 2023 (unaudited)		
	Directly attributable expenses	**Other operating expenses**	**Total expenses**
	£m	**£m**	**£m**
Administration and acquisition expenses	**411.6**	**52.2**	**463.8**
Expenses relating to additional products and fees	—	**20.8**	**20.8**
Share scheme expenses	**23.3**	**13.0**	**36.3**
Loan expenses (excluding movement on ECL provision)	—	**12.2**	**12.2**

Movement in expected credit loss provision	—	**17.1**	**17.1**
Other	—	**22.0**	**22.0**
Total expenses	**434.9**	**137.3**	**572.2**

	30 June 2022 (restated, unaudited)		
	Directly attributable expenses £m	**Other operating expenses £m**	**Total expenses £m**
Administration and acquisition expenses	357.9	39.2	397.1
Expenses relating to additional products and fees	—	24.5	24.5
Share scheme expenses	27.0	13.4	40.4
Loan expenses (excluding movement on ECL provision)	—	10.9	10.9
Movement in expected credit loss provision	—	7.6	7.6
Other	—	20.1	20.1
Total expenses	384.9	115.7	500.6

	31 December 2022 (restated, unaudited)		
	Directly attributable expenses £m	**Other operating expenses £m**	**Total expenses £m**
Administration and acquisition expenses	755.1	100.2	855.3
Expenses relating to additional products and fees	—	38.5	38.5
Share scheme expenses	53.0	26.3	79.3
Loan expenses (excluding movement on ECL provision)	—	22.2	22.2
Movement in expected credit loss provision	—	18.9	18.9
Other	—	17.4	17.4
Total expenses	808.1	223.5	1,031.6

10. Taxation (unaudited)

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Current tax			
Corporation tax on profits for the year	**39.1**	54.0	107.6
Under/(Over) provision relating to prior periods	**9.4**	2.3	(0.8)
Current tax charge	**48.5**	56.3	106.8
Deferred tax			
Current period deferred taxation movement	**11.5**	(13.4)	(31.6)
Under provision relating to prior periods	—	—	0.7
Total tax charge per Consolidated Income Statement	**60.0**	42.9	75.9

Factors affecting the total tax charge are:

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Profit before tax	**233.9**	224.6	361.2
Corporation tax thereon at effective UK corporation tax rate of 23.5% (2022: 19.0%)	**55.0**	42.6	68.6
Expenses and provisions not deductible for tax purposes	**1.1**	0.3	2.2
Non-taxable income	**(5.7)**	(3.1)	(8.7)
Impact of change in UK tax rate on deferred tax balances	**(0.6)**	(3.4)	(5.6)
Adjustments relating to prior periods	**9.4**	2.3	(0.2)
Impact of different overseas tax rates	**(2.3)**	0.3	6.3
Unrecognised deferred tax	**2.4**	3.9	13.3
Loss on disposal of compare.com	**0.7**	—	—
Total tax charge for the period as above	**60.0**	42.9	75.9

11. Other Assets and Other Liabilities

11a. Intangible assets (unaudited)

	Goodwill £m	Customer contracts and relationships £m	Software – Internally generated £m	Software – Other £m	Total £m
At 1 January 2022	**62.3**	—	**64.4**	**25.0**	**151.7**
Additions	—	—	83.4	5.2	88.6
Amortisation charge	—	—	(18.3)	(5.4)	(23.7)
Foreign exchange movement	—	—	6.9	(5.9)	1.0
At 31 December 2022	**62.3**	—	**136.4**	**18.9**	**217.6**
Additions	—	8.5	29.3	5.3	43.1
Amortisation charge	—	—	(14.8)	(3.1)	(17.9)
Disposals	—	—	—	—	—
Impairment	—	—	—	—	—
Foreign exchange movement & other	—	(0.1)	0.2	(1.1)	(1.0)
At 30 June 2023	**62.3**	**8.4**	**151.1**	**20.0**	**241.8**

11b. Trade and other payables

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022

			£m
Trade payables	**36.9**	37.0	22.7
Other tax and social security	**13.0**	8.4	14.9
Amounts owed to co-insurers	**121.1**	82.2	115.8
Other payables	**252.2**	53.2	38.2
Accruals and deferred income	**57.1**	65.3	63.3
Total trade and other payables	**480.3**	246.1	254.9
Analysis of accruals and deferred income			
Accruals	**37.4**	43.8	41.0
Deferred income	**19.7**	21.5	22.3
Total accruals and deferred income as above	**57.1**	65.3	63.3

11c. Contingent liabilities

The Group's legal entities operate in numerous tax jurisdictions and on a regular basis are subject to review and enquiry by the relevant tax authority.

One of the Group's previously owned subsidiaries was subject to a Spanish Tax Audit which concluded with the Tax Authority denying the application of the VAT exemption relating to insurance intermediary services. The company has appealed this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe. Whilst the company is no longer part of the Admiral Group, the contingent liability which the company is exposed to has been indemnified by the Admiral Group up to a cap of £22 million.

The Group is also in discussions with tax authorities in Italy and Spain on various corporate tax matters. To date these discussions have focused primarily on the transfer pricing and cross-border arrangements in place between the Group's intermediaries and insurers.

No material provisions have been made in these Financial Statements in relation to the matters noted above.

The Group is, from time to time, subject to threatened or actual litigation and/or legal and/or regulatory disputes, investigations or similar actions both in the UK and overseas. All potentially material matters are assessed, with the assistance of external advisers if appropriate, and in cases where it is concluded that it is more likely than not that a payment will be made, a provision is established to reflect the best estimate of the liability. In some cases it will not be possible to form a view, for example if the facts are unclear or because further time is needed to properly assess the merits of the case or form a reliable estimate of its financial effect. In these circumstances, specific disclosure of a contingent liability and an estimate of its financial effect will be made where material, unless it is not practicable to do so.

The Directors do not consider that the final outcome of any such current case will have a material adverse effect on the Group's financial position, operations or cash flows, and as such, no material provisions are currently held in relation to such matters.

A number of the Group's contractual arrangements with reinsurers include features that, in certain scenarios, allow for reinsurers to recover losses incurred to date. The overall impact of such scenarios would not lead to an overall net economic outflow from the Group.

11d. Post Balance Sheet Events

On 6 July 2023, the Group's holding company, Admiral Group plc issued £250,000,000 subordinated notes at a fixed rate of 8.50% with a redemption date of 6 January 2034.

The notes are unsecured, subordinated obligations of the Group and rank pari passu without any preference among themselves. In the event of a winding up or of bankruptcy, they are to be repaid only after the claims of all other creditors have been met.

Prior to the issue of these subordinated notes, Admiral Group plc issued an invitation to holders of its existing £200,000,000 5.50 per cent subordinated notes, due 2024 to tender any and all of such notes for purchase by the

Group for cash as set out in a tender offer memorandum dated 27 June 2023. The offer expired on 4 July 2023 and the company announced on 5 July 2023 that it had decided to accept for purchase £144,904,000 in aggregate, nominal value of notes pursuant to the offer.

Neither transaction is reflected in the Group's balance sheet at 30 June 2023. Once reflected, the nominal value of subordinated liabilities in the Group's balance sheet will be £305,096,000 until the expiry of the remainder of the existing notes in July 2024, when the nominal value of subordinated liabilities held in the Group's balance sheet will reduce to £250,000,000.

12. Share Capital

12a. Dividends

Dividends were proposed, approved and paid as follows.

	Unaudited		
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Proposed, March 2022 (118.0 pence per share, approved April 2022 and paid June 2022)	**-**	348.1	348.1
Declared August 2022 (105.0 pence per share, paid October 2022)	**-**	-	310.2
Proposed, March 2023 (52.0 pence per share, approved April 2023 and paid June 2023)	**154.9**	-	-
Total	**154.9**	**348.1**	**658.3**

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2021 and 2022 financial years. The dividend declared in August reflects the 2022 interim dividend.

A 2023 interim dividend of 51.0p pence per share (approximately £152 million) has been declared.

12b. Earnings per share

	Unaudited	Restated, unaudited	
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	**174.5**	182.4	286.5
Weighted average number of shares – basic	**303,075,355**	299,753,132	300,207,330
Unadjusted earnings per share – basic – continuing operations	**57.6p**	60.8p	95.4p
Weighted average number of shares – diluted	**303,761,032**	300,354,415	301,543,390
Unadjusted earnings per share – diluted – continuing operations	**57.5p**	60.7p	95.0p

The difference between the basic and diluted number of shares at the end the period (being 685,677; 30 June 2022:

601,283; 31 December 2022: 1,336,060) relates to awards committed, but not yet issued under the Group's share schemes.

12c. Share capital

	Unaudited		
	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Authorised			
500,000,000 ordinary shares of 0.1 pence	**0.5**	0.5	0.5
Issued, called up and fully paid			
299,893,517 ordinary shares of 0.1p	—	0.3	—
302,837,726 ordinary shares of 0.1p	—	—	0.3
303,235,974 ordinary shares of 0.1p	**0.3**	—	—
Total share capital	**0.3**	0.3	0.3

During the first half of 2023, 398,248 (H1 2022: 338,797; FY 2022: 3,283,006) new ordinary shares of 0.1p were issued to the trusts administering the Group's share schemes.

398,248 (H1 2022: 338,797; FY 2022: 675,927) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme.

No shares (H1 2022: nil; FY 2022: 2,607,079) were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme.

12d. Related party transactions

Details relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report within the Group's 2022 Annual Report. Key management personnel can obtain discounted motor insurance at the same rates as all other Group staff.

The Board considers that Executive and Non-Executive Directors of Admiral Group plc are key management personnel. Aggregate compensation for the Executive and Non-Executive Directors is disclosed in the Directors' Remuneration Report in the 2022 Annual Report.

13. Reconciliations

The following tables reconcile significant Key Performance Indicators (KPIs) and Alternative Performance Measures (APMs) included in the financial review above to items included in the financial statements.

13a. Reconciliation of turnover to reported insurance and other revenue in the financial statements

		Unaudited	Restated, unaudited	
	Note	**30 June 2023 £m**	June 2022 £m	31 December 2022 £m
Insurance premium revenue	**5b**	**1,515.5**	1,327.6	2,782.1
Movement in unearned premium		**262.2**	137.0	142.7
Premiums written after coinsurance		**1,777.7**	1,464.6	2,924.8
Co-insurer share of written		**260.9**	206.2	393.4

premiums				
Total premiums written		**2,038.6**	1,670.8	3,318.2
Other insurance revenue	**5b**	**91.5**	86.2	174.8
Other revenue	**8**	**63.8**	64.6	128.9
Admiral Money interest income		**43.6**	25.5	58.7
Turnover as per note 4b of financial statements		**2,237.5**	1,847.1	3,680.6
Intra-group income elimination[1]		—	0.2	0.3
Total turnover		**2,237.5**	1,847.3	3,680.9

*[1] Intra-group income elimination relates to comparison income earned by compare.com from other Group entities.

13b. Reconciliation of reported loss and expense ratios: Group

					30 June 2023 (unaudited)
£m	*Note*	**Core product**	**Ancillary income**	**Total gross**	**Total, net of XoL reinsurance**
Insurance premium revenue	*5b/5d*	1,449.0	66.5	1,515.5	1,469.8
Administration fees and non-separable ancillary commission	*5b*	—	91.5	91.5	91.5
Insurance revenue (A)	*5b/5d*	1,449.0	158.0	1,607.0	1,561.3
Administration and acquisition expenses (B)	*5c*	(392.9)	(18.8)	(411.7)	(411.7)
Claims incurred (C)	*5c/5d*	(1,242.5)	(20.8)	(1,263.3)	(1,244.7)
Claims releases (D)	*5c/5d*	255.8	—	255.8	254.0
Quota share result*					6.1
Onerous loss component movement					1.4
Underwriting result (E)					**166.4**
Current period loss ratio (C/A)					**79.7%**
Claims releases (D/A)					**(16.2%)**
Reported loss ratio ((C+D)/A)					**63.5%**
Reported expense ratio (B/A)					**26.3%**
Insurance service margin (E/A)					**10.7%**

** Quota share reinsurance result excludes reinsurers' share of share scheme costs*

£m	Note	Core product	Ancillary income	Total gross	Total, net of XoL reinsurance
					30 June 2022 (unaudited, restated)
Insurance premium revenue	*5b/5d*	1,263.4	64.2	1,327.6	1,294.3
Administration fees and non-separable ancillary commission	*5b*	—	86.2	86.2	86.2
Insurance revenue (A)	*5b/5d*	1,263.4	150.4	1,413.8	1,380.5
Administration and acquisition expenses (B)	*5c*	(340.8)	(17.1)	(357.9)	(357.9)
Claims incurred (C)	*5c/5d*	(1,028.0)	(16.1)	(1,044.1)	(1,021.0)
Claims releases (D)	*5c/5d*	196.4	0.1	196.5	177.8
Quota share result*					(7.7)
Onerous loss component movement					(4.1)
Underwriting result (E)					**167.6**
Current period loss ratio (C/A)					**74.0%**
Claims releases (D/A)					**(12.9%)**
Reported loss ratio ((C+D)/A)					**61.1%**
Reported expense ratio (B/A)					**26.0%**
Insurance service margin (E/A)					**12.1%**

** Quota share reinsurance result excludes reinsurers' share of share scheme costs*

£m	Note	Core product	Ancillary income	Total gross	Total, net of XoL reinsurance
					31 December 2022 (unaudited, restated)
Insurance premium revenue	*5b/5d*	2,646.5	135.6	2,782.1	2,704.2
Administration fees and non-separable ancillary commission	*5b*	—	174.8	174.8	174.8
Insurance revenue (A)	*5b/5d*	2,646.5	310.4	2,956.9	2,879.0
Administration and acquisition expenses (B)	*5c*	(710.5)	(44.6)	(755.1)	(755.1)
Claims incurred (C)	*5c/5d*	(2,339.3)	(33.0)	(2,372.3)	(2,341.0)
Claims releases (D)	*5c/5d*	420.5	—	420.5	309.8
Quota share result*					117.4
Onerous loss component movement					4.1
Underwriting result (E)					**214.2**
Current period loss ratio (C/A)					**81.3%**
Claims releases (D/A)					**(10.7%)**

Reported loss ratio ((C+D)/A)	**70.6%**
Reported expense ratio (B/A)	**26.2%**
Insurance service margin	**7.4%**

** Quota share reinsurance result excludes reinsurers' share of share scheme costs*

13c. Reconciliation of reported loss and expense ratios: UK Motor

		30 June 2023 (unaudited)				
£m	*Note*	**Core product**	**Ancillary income[1]**	**Total gross**	**Total, net of XoL reinsurance**	**Core Product Net of XoL reinsurance**
Insurance premium revenue	*5b/5d*	907.7	53.5	961.2	935.2	881.7
Administration fees and non-separable ancillary commission	*5b*	—	58.8	58.8	58.8	—
Insurance revenue (A)	*5b/5d*	907.7	112.3	1,020.0	994.0	881.7
Administration and acquisition expenses (B)	*5c*	(206.6)	(13.9)	(220.5)	(220.5)	(206.6)
Claims incurred (C)	*5c/5d*	(833.9)	(17.2)	(851.1)	(834.2)	(817.0)
Claims releases (D)	*5c/5d*	249.1	—	249.1	237.1	237.1
Current period loss ratio (C/A)					**83.9%**	**92.7%**
Claims releases (D/A)					**(23.9%)**	**(26.9%)**
Reported loss ratio ((C+D)/A)					**60.1%**	**65.8%**
Reported expense ratio (B/A)					**22.2%**	**23.4%**

	30 June 2022 (unaudited, restated)

£m	Note	Core product	Ancillary income[1]	Total gross	Total, net of XoL reinsurance	Core Product Net of XoL reinsurance
Insurance premium revenue	*5b/5d*	811.8	53.7	865.5	843.9	790.2
Administration fees and non-separable ancillary commission	*5b*	—	55.9	55.9	55.9	—
Insurance revenue (A)	*5b/5d*	811.8	109.6	921.4	899.8	790.2
Administration and acquisition expenses (B)	*5c*	(171.5)	(12.2)	(183.7)	(183.7)	(171.5)
Claims incurred (C)	*5c/5d*	(725.1)	(13.4)	(738.5)	(721.6)	(708.2)
Claims releases (D)	*5c/5d*	211.7	—	211.7	190.9	190.9
Current period loss ratio (C/A)					***80.2%***	***89.6%***
Claims releases (D/A)					***(21.2%)***	***(24.1%)***
Reported loss ratio ((C+D)/A)					***59.0%***	***65.5%***
Reported expense ratio (B/A)					***20.4%***	***21.7%***

					31 December 2022 (unaudited, restated)	
£m	*Note*	**Core product**	**Ancillary income[1]**	**Total gross**	**Total, net of XoL reinsurance**	**Core product, net of XoL**
Insurance premium revenue	*5b/5d*	1,682.4	113.3	1,795.7	1,751.1	1,637.8
Administration fees and non-separable ancillary commission	*5b*	—	114.0	114.0	114.0	—
Insurance revenue (A)	*5b/5d*	1,682.4	227.3	1,909.7	1,865.1	1,637.8
Administration and acquisition expenses (B)	*5c*	(354.4)	(35.2)	(389.6)	(389.6)	(354.4)
Claims incurred (C)	*5c/5d*	(1,592.2)	(28.2)	(1,620.4)	(1,596.0)	(1,567.8)
Claims releases (D)	*5c/5d*	437.2	-	437.2	327.2	327.2
Current period loss ratio (C/A)					***85.5%***	***95.7%***
Claims releases (D/A)					***(17.5%)***	***(20.0%)***
Reported loss ratio ((C+D)/A)					***68.0%***	***75.7%***
Reported expense ratio (B/A)					***20.9%***	***21.6%***

[1]Ancillary income combined with other net income is presented as part of UK motor insurance other revenue in reporting "Other revenue per vehicle". Total other revenue was £119.5 million (H1 2022: £116.2 million; FY 2022: £236.8 million)

13d. Reconciliation of reported loss and expense ratios: UK Household

					30 June 2023 (unaudited)	
£m	*Note*	**Core product**	**Ancillary income**	**Total gross**	**Total, net of XoL reinsurance**	**Core Product Net of XoL**
Insurance premium revenue	*5b/5d*	118.4	12.3	130.7	122.8	110.5
Administration fees and non-separable ancillary commission	*5b*	—	5.5	5.5	5.5	—
Insurance revenue (A)	*5b/5d*	118.4	17.8	136.2	128.3	110.5
Administration and acquisition expenses (B)	*5c*	(34.6)	(4.1)	(38.7)	(38.7)	(34.6)
Claims incurred (C)	*5c/5d*	(84.4)	(3.2)	(87.6)	(87.6)	(84.4)
Current period weather events (E)		(7.3)	—	(7.3)	(7.3)	(7.3)
Claims releases (D)	*5c/5d*	3.9	—	3.9	3.9	3.9
Current period attritional loss ratio (C/A)					***68.3%***	***76.4%***
Current period weather events (E/A)					***5.7%***	***6.6%***
Current period loss ratio ((C+E)/A)					***74.0%***	***83.0%***
Claims releases (D/A)					***(3.0%)***	***(3.5%)***
Reported loss ratio ((C+D+E)/A)					***71.0%***	***79.5%***
Reported expense ratio (B/A)					***30.2%***	***31.3%***

					30 June 2022 (restated, unaudited)	
£m	*Note*	**Core product**	**Ancillary income**	**Total gross**	**Total, net of XoL reinsurance**	**Core Product Net of XoL**
Insurance premium revenue	*5b/5d*	97.7	10.0	107.7	103.2	93.2
Administration fees and non-separable ancillary commission	*5b*	—	3.8	3.8	3.8	—
Insurance revenue (A)	*5b/5d*	97.7	13.8	111.5	107.0	93.2
Administration and acquisition expenses (B)	*5c*	(28.3)	(4.0)	(32.3)	(32.3)	(28.3)

Claims incurred (C)	*5c/5d*	(53.8)	(2.5)	(56.3)	(56.3)	(53.8)
Current period weather events (E)		(10.7)		(10.7)	(10.7)	(10.7)
Claims releases (D)	*5c/5d*	9.2	—	9.2	9.2	9.2
Current period attritional loss ratio (C/A)					***52.7%***	***57.7%***
Current period weather events (E/A)					***10.0%***	***11.5%***
Current period loss ratio ((C+E)/A)					***62.6%***	***69.2%***
Claims releases (D/A)					***(8.6%)***	***(9.9%)***
Reported loss ratio ((C+D+E)/A)					***54.0%***	***59.3%***
Reported expense ratio (B/A)					***30.2%***	***30.4%***

					31 December 2022 (restated)	
£m	*Note*	**Core product**	**Ancillary income**	**Total gross**	**Total, net of XoL reinsurance**	**Core product, net of XoL reinsurance**
Insurance premium revenue	*5b/5d*	207.0	21.5	228.5	214.5	193.0
Administration fees and non-separable ancillary commission	*5b*	—	8.3	8.3	8.3	—
Insurance revenue (A)	*5b/5d*	207.0	29.8	236.8	222.8	193.0
Administration and acquisition expenses (B)	*5c*	(62.2)	(7.9)	(70.1)	(70.1)	(62.2)
Claims incurred (C)	*5c/5d*	(129.2)	(4.2)	(133.4)	(133.4)	(129.2)
Current period weather events (E)		(64.7)	—	(64.7)	(64.7)	(64.7)
Claims releases (D)	*5c/5d*	16.5	—	16.5	16.5	16.5
Current period attritional loss ratio (C/A)					***59.9%***	***67.0%***
Current period weather events (E/A)					***29.0%***	***33.5%***
Current period loss ratio ((C+E)/A)					***88.9%***	***100.5%***
Claims releases (D/A)					***(7.4%)***	***(8.6%)***
Reported loss ratio ((C+D+E)/A)					***81.5%***	***91.9%***
Reported expense ratio (B/A)					***31.4%***	***32.2%***

14. Statutory Information

The financial information above does not constitute the Company's statutory accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered in due course. The auditors have reported on the statutory accounts for 2022, and their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Glossary
Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its financial statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Annual Report and financial statements to better understand the Group's performance in the period in comparison to previous periods and the Group's competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the financial statements, unless otherwise stated. Non-financial KPIs incorporate information that cannot be derived from the financial statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover	Turnover is defined as total premiums written (as below), Other insurance revenue, Other revenue and interest income from Admiral Money. It is reconciled to financial statement line items in note 13a to the financial statements. It has been redefined in the current period to exclude revenue from discontinued operations. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. The measure was developed as a result of the Group's business model. The UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third party reinsurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's international insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's income statement and therefore presentation of this metric enables users of the Annual Report to see the scale of the Group's insurance operations in a way not possible from taking the income statement in isolation.

Total Premiums Written	Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 13a to the financial statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time. The reasons for presenting this measure are consistent with that for the Turnover APM noted above.
Group profit before tax	Group profit before tax represents profit before tax
Earnings per share	Earnings per share represents the profit after tax attributable to equity shareholders, divided by the weighted average number of basic shares.
Underwriting result (profit or loss)	For each insurance business an underwriting result is presented. This shows the insurance segment result before tax excluding investment income, finance expenses, co-insurer profit commission and other net income. It excludes both gross share scheme costs and any assumed quota share reinsurance recoveries on those share scheme costs.
Loss Ratio	Loss ratios are reported as follows: **Reported loss ratios** are expressed as a percentage, of claims incurred, on a gross basis net of XoL reinsurance, divided by insurance revenue net of XoL reinsurance premiums ceded. To calculate the reported loss ratios, we use the total claims, and earned premium and related income (instalment income, administration fees and ancillary income where it is highly correlated to the core product). We believe that this will be consistent with the approach taken by peers, and reflects the true profitability of products sold. **Core product loss ratios** use the total claims and earned premiums for the core product only. This measure is more consistent with that used previously, and are reflective of the performance of the core product in a line of business.

	The calculations and compositions of the loss ratios are presented within note 13b to 13d to these financial statements.
Expense Ratio	Expense ratios are reported as follows: Reported expense ratios are expressed as a percentage, of expenses incurred, on a gross basis excluding share scheme costs, divided by insurance revenue net of XoL reinsurance premiums ceded. To calculate the reported expense ratios, we use the total expenses (excluding share scheme costs), and earned premium and related income (instalment income, administration fees and ancillary income where it is highly correlated to the core product). We believe that this will be consistent with the approach taken by peers, and reflects the true profitability of products sold. **Core product expense ratios** use the total expenses (excluding share scheme costs) and earned premiums for the core product only. This measure is more consistent with that used previously, and are reflective of the performance of the core product in a line of business. **Written expense ratios** are calculated using total expenses (excluding share scheme costs) and written premiums, net of cancellation provision, for the core product only. The calculations of the reported expense ratios are presented within notes 13b to 13d to the financial statements.
Combined Ratio	Combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 13b to 13d.
Insurance service margin	This is the reported insurance segment underwriting result, divided by insurance revenue net of excess of loss premiums ceded.
Quota share result	The total result (ceded premiums minus ceded recoveries) from contractual quota share arrangements, excluding the quota share reinsurer's share of share scheme expenses
Insurance segment result	The result of the insurance segment result, before tax, excluding net share scheme costs and other central expenses.

Return on Equity	Return on equity is calculated as profit after tax for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year. This average is determined by dividing the opening and closing positions for the year by two. It excludes the impact of discontinued operations.
Group Customers	Group customer numbers reflect the total number of cars, households and vans on cover at the end of the year, across the Group, and the total number of travel insurance and Admiral Money customers. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the different lines of business and geographic regions.
Effective Tax Rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the income statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a

	particular reinsurance contract. The Group typically commutes UK motor insurance quota share contracts after 24-36 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the “underwriting cycle”).
Claims net of XoL reinsurance	The cost of claims incurred in the period, less any claims costs recovered via salvage and subrogation arrangements or under XoL reinsurance contracts. It includes both claims payments and movements in claims reserves.
Excess of Loss (‘XoL’) reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer on an excess of loss (‘XoL’) basis (full reinsurance for claims over an agreed value).
Insurance premium revenue net of XoL	The element of premium, less XoL reinsurance premium, earned in the period.
Insurance revenue	Gross earned premium (excluding any co-insurer share) plus Other insurance revenue
Net promotor score	NPS is currently measured based on a subset of customer responding to a single question: On a scale of 0-10 (10 being the best score), how likely would you recommend our company to a friend, family or colleague through phone, online or email. Answers are then placed in 3 groups; Detractors: scores ranging from 0 to 6; Passives/neutrals: scores ranging from 7 to 8; Promoters: scores ranging from 9 to 10 and the final NPS score is : % of promoters - % of detractors
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements in the UK.
Other insurance revenue	Revenue that is considered non-separable from the core insurance product sold and therefore under IFRS 17 is reported as insurance revenue. For the Group, this is typically the instalment income, administration fees and any other non-separable income related to the Group’s retained share of the underwritten products.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the

	policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some reinsurance and coinsurance agreements that provides for profit sharing. Co-insurer profit commission are presented separately on the income statement whilst reinsurer profit commissions are presented within the reinsurance result, as a part of any recovery for incurred claims.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss ('XoL') basis (full reinsurance for claims over an agreed value).
Scaled Agile	Scaled Agile is a framework that uses a set of organisational and workflow patterns for implementing agile practices at an enterprise scale. Scaled agile at Admiral represents the ability to drive agile at the team level whilst applying the same sustainable principles of the group.
Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Solvency Ratio	A ratio of an entity's Solvency II capital (referred to as Own Funds) to Solvency Capital Requirement. Unless otherwise stated, Group solvency ratios include a reduction to Own Funds for a foreseeable dividend (i.e. dividends relating to the relevant financial period that will be paid after the balance sheet date)
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limited around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which an insurance policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	An insurance policy can be written in one calendar year but earned over a subsequent calendar year.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with the UK-adopted IAS 34 *'Interim Financial Reporting'* and gives a true and fair view of the assets, liabilities, financial position and

profit or loss of the Group.
    - the interim management report includes a fair review of the information required by:

a. DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
b. DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board,

Geraint Jones

Chief Financial Officer
15 August 2023

INDEPENDENT REVIEW REPORT TO ADMIRAL GROUP PLC

Conclusion

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement, and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
15 August 2023